



Reference document 2008

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# Reference document 2008



Pursuant to article 212-13 of its general regulations, the French Autorité des marchés financiers (AMF) registered this reference document on April 22, 2009 under number R.09-025. This document may be used to support a financial operation only if it is completed by an offering circular approved by the Autorité des marchés financiers. This reference document has been prepared by the issuer under the responsibility of the signatories. Registration, made following examination of the relevance and consistency of the information provided on the Company's standing, does not imply authentication of the accounting and financial data presented.

## NOTE

References to the “Group” and “Legrand” are to the Company, its consolidated subsidiaries and its minority shareholdings. References to “Legrand France” are to Legrand France, the Company’s subsidiary, previously named Legrand SA, and which company name was changed by the Shareholders’ Meeting on February 14, 2006, and not to its subsidiaries. References to “Legrand SAS” are to Legrand SAS, dissolved without liquidation by a decision of the Board of Directors of the Company dated February 8, 2006, and previously an indirect subsidiary of the Company.

In this document, references to “KKR” are to Financière Light Sàrl, Financière Light II Sàrl, Financière Light III Sàrl and Financière Light IV Sàrl, each of which is a company under Luxembourg law, owned and controlled by one or more investment funds advised by Kohlberg Kravis Roberts & Co. L.P.

In this document, references to “Wendel” are, unless otherwise specified, to Wendel and/or one or more of its subsidiaries.

The Company’s consolidated financial statements presented in this document for the years ended December 31, 2008, 2007 and 2006 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed by the European Union. Since the Group has not adopted the carve-out arrangements of IAS 39 proposed by the European Union, these consolidated financial statements were also prepared in accordance with IFRS principles as articulated by the International Accounting Standards Board (“IASB”). Therefore the use of the term “IFRS” within this document refers both to the international accounting standards as adopted in the European Union and as articulated by IASB. The Company prepares and presents its consolidated financial statements in accordance with IFRS as required by French law. IFRS may differ in certain significant respects from French GAAP. The parent company financial statements are presented in accordance with French GAAP.

This document contains information about Legrand’s markets and its competitive position therein, including market size and market share. Legrand is not aware of any authoritative industry or market reports that cover or address the market for products and systems for electrical installations and information networks in buildings, and thus assembles information on its markets through its subsidiaries, which compile information on their local markets annually. They derive that information from formal and informal contacts with industry professionals (such as professional associations), trade data from distributors of electrical products, building statistics and macroeconomic data. Legrand estimates its position in its markets based on market data referred to above and on its actual sales in the relevant market for the same period.

Legrand believes that the market share information contained in this reference document provides fair and adequate estimates of the size of its markets and fairly reflects its competitive position within these markets. However, internal surveys, estimates, market research and publicly available information, while believed by Legrand to be reliable, have not been independently verified and Legrand cannot guarantee that a third party using different methods to assemble, analyze or compute market data would obtain or generate the same results. In addition, its competitors may define the Company’s markets differently from Legrand. Because statements relating to market shares and market sizes are Company estimates, they are not data extracted from the consolidated financial statements, and Legrand cautions readers not to place undue reliance on such statements.

This document contains forward-looking statements. These forward-looking statements include all matters that are not historical facts. They are mentioned in various sections of this document and contain data relating to the Group’s intentions, estimates and targets, concerning in particular its market, strategy, growth, results, financial position and cash position.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of the Group’s future performance. The Company’s actual financial condition, actual results and cash flows, and the development of the industry in which it operates, may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if the Group’s financial condition, results of operations and cash flows, and the development of the industry in which Legrand operates, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Factors that could cause those differences include, among other things, the risk factors described in chapter 3 of this reference document. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

The forward-looking statements provided in this document are only made as of the date of this document. The Group will update this information as necessary in its financial communications. Legrand operates in a competitive environment subject to rapid change. It therefore is not able to anticipate all risks, uncertainties or other factors that may affect its activities, their potential impact on its activities or the extent to which the occurrence of a risk or combination of risks could have significantly different results from those set out in any forward-looking statements, it being noted that such forward-looking statements do not constitute a projection or guarantee of actual results.



# 1

## RESPONSIBILITY FOR THE REFERENCE DOCUMENT AND STATUTORY AUDITS

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## RESPONSIBILITY FOR THE REFERENCE DOCUMENT AND STATUTORY AUDITS

Person responsible for the reference document

### 1.1 - PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

#### 1.1.1 - Name and position of the person responsible for the reference document

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Mr. Gilles Schnepf, Chairman and Chief Executive Officer of Legrand, a French *société anonyme* the registered address of which is 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges and which is registered under the number 421 259 615 on the Limoges company register (*Registre des Commerces et des Sociétés* or RCS), hereinafter referred to as "the Company".

#### 1.1.2 - Responsibility statement

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*"I hereby certify, having taken all reasonable care in this regard, that the information contained in this reference document is, to the best of my knowledge, accurate and that there are no omissions of a nature to materially affect its reliability.*

*I further certify that, to the best of my knowledge, the accounts have been drawn up in accordance with applicable accounting standards and fairly present the assets, the financial position and results of the Company and the businesses within the scope of consolidation and that Management Reports appearing on page 67 and in appendix 2 fairly present developments in the business, results and financial position of the Company and the businesses within the scope of consolidation together with a description of the risk and uncertainties to which they are exposed.*

*Consolidated financial statements for the year ended December 31, 2008 presented in this reference document are the subject of a report by the statutory auditors which appears in chapter 11.3 and which includes an observation on the early application of IFRS 8 concerning sector information.*

*I have obtained from the statutory auditors, upon completion of their work, a letter in which they indicate that they have verified the information concerning the financial situation and accounts presented in this reference document and read the entire reference document."*

Gilles Schnepf  
Chairman and Chief Executive Officer

#### 1.1.3 - Incorporation by reference

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The following are hereby incorporated by reference in this reference document: the Company's consolidated financial statements for the financial year ended December 31, 2006 together with the related report of the Statutory Auditors as presented in the reference document filed with the *Autorité des marchés financiers* under the number R.07-0038 on April 23, 2007, and the Company's consolidated financial statements for the financial year ended December 31, 2007, together with the related report of the Statutory Auditors as presented in the reference document filed with the AMF on April 23, 2008, under the number R.08-029.

## 1.2- STATUTORY AUDITORS

### 1.2.1 - Principal Statutory Auditors

#### PricewaterhouseCoopers Audit

Member of the Regional Body of Statutory Auditors  
in Versailles (*Compagnie régionale de Versailles*)  
Represented by Gérard Morin  
Crystal Park  
63, rue de Villiers  
92208 Neuilly-sur-Seine

Appointed deputy statutory auditor at the General Shareholders' Meeting of June 6, 2003, became principal statutory auditor following the merger between Pricewaterhouse and Coopers & Lybrand Audit, and renewed as principal statutory auditor at the General Shareholders' Meeting of March 2, 2004 for a term of six financial years. This appointment expires at the end of the General Shareholders' Meeting convened to vote upon the financial statements for the year ending on December 31, 2009.

#### Deloitte & Associés

Member of the Regional Body of Statutory Auditors  
in Versailles (*Compagnie régionale de Versailles*)  
Represented by Dominique Descours  
185, avenue Charles de Gaulle  
BP 136 - 92524 Neuilly-sur-Seine Cedex

Appointed principal statutory auditor at the General Shareholders' Meeting of December 21, 2005 for a term of six financial years. This appointment expires at the end of the General Shareholders' Meeting convened to vote upon the financial statements for the year ending on December 31, 2010.

### 1.2.2- Deputy Statutory Auditors

#### Mr. Yves Nicolas

Member of the Regional Body of Statutory Auditors  
in Versailles (*Compagnie régionale de Versailles*)  
Crystal Park  
63, rue de Villiers  
92208 Neuilly-sur-Seine

Appointed deputy statutory auditor at the General Shareholders' Meeting of March 2, 2004 for a term of six financial years. This appointment expires at the end of the General Shareholders' Meeting convened to vote upon the financial statements for the year ending on December 31, 2009.

#### BEAS

Member of the Regional Body of Statutory Auditors  
in Versailles (*Compagnie régionale de Versailles*)  
7-9, Villa Houssay  
92524 Neuilly-sur-Seine Cedex

Appointed deputy statutory auditor at the General Shareholders' Meeting of December 21, 2005 for a term of six financial years. This appointment expires at the end of the General Shareholders' Meeting convened to vote upon the financial statements for the year ending on December 31, 2010.

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## 1.3 - FINANCIAL INFORMATION

### 1.3.1 - Person responsible for financial information

Mr. Antoine Burel

Address: 82, rue Robespierre, 93170 Bagnolet

Tel: + 33 (0)1 49 72 52 00

Fax: + 33 (0)1 43 60 54 92

### 1.3.2 - Documents available to the public

The legal documents pertaining to the Company that must be made available to the shareholders in accordance with the applicable regulations and its financial records may be consulted at the registered office of the Company.

Pursuant to article 222-7 of AMF general regulations (*règlement général de l'Autorité des marchés financiers*), the following list has been compiled of the information published or made public by Legrand in the course of the past twelve months.

#### List of press releases

The press releases are available on the Company's web site ([www.legrandelectric.com](http://www.legrandelectric.com)).

Date	Title
April 2008	Legrand accelerates expansion on emerging markets and in audio and video entry phones with the acquisition of HDL in Brazil Provisions of documents in preparation for the Shareholders' Meeting on May 22, 2008
May 2008	Healthy resilience of margins in the first quarter of 2008 Share buyback program Total number of shares and voting rights – April 2008
June 2008	Total number of shares and voting rights – May 2008 Six-month report on liquidity contract – June 2008
July 2008	Rise in sales and healthy resilience in margins in the first half of 2008 Total number of shares and voting rights – June 2008 Six-month report on liquidity contract – June 2008
August 2008	Total number of shares and voting rights – July 2008
September 2008	Total number of shares and voting rights – August 2008
October 2008	Total number of shares and voting rights – September 2008
November 2008	2008 nine-month results: Drawing strength from fundamentals, Legrand is taking active steps in a worsening environment Total number of shares and voting rights – October 2008
December 2008	Total number of shares and voting rights – November 2008 Publication regarding Afep/Medef recommendations dated October 6, 2008
January 2009	Total number of shares and voting rights – December 2008 Six-month report on liquidity contract – December 2008
February 2009	Total number of shares and voting rights – January 2009 2008 Full-year results in line with targets - Structural adaptation of costs
March 2009	Total number of shares and voting rights – February 2009 Information concerning liquidity contract – March 19, 2009
April 2009	Total number of shares and voting rights – March 2009





### List of BALO publications

Date	Nature of information
05/14/2008	Periodical publications – Commercial and industrial companies (sales and quarterly statements)
06/25/2008	Periodical publications – Commercial and industrial companies (annual accounts)
08/04/2008	Periodical publications – Commercial and industrial companies (sales and quarterly statements)

### Documents filed with the clerk of the Commercial Court of Limoges ([www.infogreffe.fr](http://www.infogreffe.fr))

Date	Type of document
01/03/2008	Minutes of Meeting of the Board of Directors Updated bylaws
04/22/2008	Minutes of Meeting of the Board of Directors Updated bylaws
12/04/2008	Minutes of Meeting of the Board of Directors Updated bylaws

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## 1.3.3 - Indicative financial information schedule

The financial information the Company discloses to the public will be available on the Company's web site ([www.legrandelectric.com](http://www.legrandelectric.com)). As an indication only, the Company's schedule for publication of financial information should be as follows up to December 31, 2009:

2009 first-quarter results: May 6, 2009  
 2009 first-half results: July 29, 2009  
 2009 nine-month results: November 5, 2009

At its meeting on March 4, 2009, the Company's Board of Directors called the Company's Annual General Meeting for May 26, 2009.





# 2

## GENERAL INFORMATION ON THE GROUP

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## GENERAL INFORMATION ON THE GROUP

A market resilient to economic cycles with a steady growth potential

### 2.1 - PRESENTATION OF THE GROUP

Legrand is the global specialist in products and systems for electrical installations and information networks where people live and work. The Group develops, manufactures and markets a complete range of control and command, cable management, energy distribution and Voice-Data-Image ("VDI") products and systems. Legrand markets its products under internationally recognized general brand names, including *Legrand* and *Bticino*, as well as well-known local or specialist brands. Legrand

has commercial and industrial establishments in more than 70 countries and sells a wide range of products, comprising more than 170,000 catalog items, in almost 180 countries. In 2008, the Group's consolidated net sales amounted to €4,202.4 million (of which 76% were generated outside of France). In addition, it has significantly increased its presence in the Rest of the World and the Rest of Europe zones over the past few years.

### 2.2 - A MARKET RESILIENT TO ECONOMIC CYCLES WITH A STEADY GROWTH POTENTIAL

#### 2.2.1 - Accessible market

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Legrand estimates its accessible market, which corresponds to worldwide sales made by Legrand and its competitors of products that are identical to, or comparable with, Legrand's products, at around €60 billion.

#### 2.2.2 - Resilient market

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##### 2.2.2.1 - CAPACITY FOR RESISTANCE TO ECONOMIC CYCLES

The Group's accessible market covers new construction and renovation in the commercial, residential and industrial sectors worldwide. In 2007 and 2008, 60% of Legrand's sales were in renovation and 40% in new construction. As a result of this situation and its presence on each of these market segments, the Group benefits from a multi-pole structure and enjoys balanced exposure.

In addition, its accessible market is characterized by a flow of activity fueled by multiple customers, making it mostly widely dispersed and less sensitive to economic cycles than the medium- and high-voltage and infrastructure markets, where players are more dependent on large public or private projects.

##### 2.2.2.2 - HIGH BARRIERS TO ENTRY

Access to the Group's market is made difficult by a number of barriers to entry. These barriers include:

- the need to offer an extensive range of products and systems with multiple functionalities;
- differences in national electrical standards, norms and local regulations and aesthetic preferences, which require new entrants to make a high initial investment; and
- the need to establish privileged relationships with many market players, such as electrical distributors, electrical professionals, specifiers and end-users.

Consequently, no new player of significant size has emerged on the market for the past twenty years.

## 2.2.3- Attractive market

### ■ 2.2.3.1 - STEADY GROWTH POTENTIAL

The market is characterized by steady demand for new products and functions that arises from the global trend towards innovation through all economic cycles. In addition, the market offers long-term growth potential due to an ever-increasing interest in added-value products (aesthetically and functionally) referred to as "trading up". The Company's constant focus on technological innovation allows it to tap this growth potential effectively.

In addition, in emerging markets such as Brazil, China, India and Russia, the long-term development of electrical installations and data networks generates demand for both low- and high-end products. Moreover, as nearly one-fourth of the world's population does not yet have access to electricity, the Group believes that the market offers significant long-term growth potential as such access is provided.

Moreover, now that buildings account for 40% of total energy consumption, Legrand has experienced growing demand in all of its markets for products and systems that reduce energy consumption, that have less impact on the environment and that improve the quality of electricity. Legrand is responding to this demand by offering a range of effective solutions that can meet these new requirements.

### ■ 2.2.3.2 - FRAGMENTED MARKET PROVIDING ACQUISITION OPPORTUNITIES

The accessible market remains highly fragmented, as approximately 50% of worldwide net sales are made by typically local, small- and medium-sized companies that generally enjoy only marginal worldwide market share. Such market fragmentation is due in part to differences between countries' applicable technical standards and norms and also to the various customs of the end-users in each country. Consequently, a significant portion of the market for products and systems for electrical installations and data networks traditionally remains in the hands of local, modestly sized manufacturers. Acquisition of these manufacturers offers growth opportunities.

### ■ 2.2.3.3 - NON-DEFLATIONARY INDUSTRY

Whereas certain industries can be characterized by product price decreases, the Group's accessible market demonstrates a different overall trend. The production and distribution value chain for its products benefits from an established ability to increase its selling prices regularly over the long term. Moreover, end-user sensitivity to product prices is mitigated by the fact that electrical installations generally only represent around 5% of the total cost of the average new residential or commercial construction project. In addition, the Group has a degree of control over its prices due to its strong market position and its ability to develop and offer innovative products.

## ■ 2.3- LEGRAND: UNMATCHED COMPETITIVE STRENGTHS

### 2.3.1 - Pure player with worldwide coverage

Legrand focuses on the development, manufacturing and marketing of a complete range of products and systems for electrical installations and data networks. Its specialization, without diversification, has allowed the Group to acquire technical and commercial expertise specific to its business.

This specialization is conducted through a network of subsidiaries, branches and representative offices in more than 70 countries that market the Group's products in almost 180 countries worldwide. 76% of the Group's net sales in 2008 were generated outside France. In particular, net sales generated in emerging markets represented close to 29% of the Group's activity in 2008.

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## GENERAL INFORMATION ON THE GROUP

Legrand: unmatched competitive strengths

### 2.3.2 - First-rate positioning

#### ■ 2.3.2.1 - MARKET LEADING POSITIONS BOTH LOCALLY AND ON A GLOBAL BASIS

Legrand believes it is the worldwide leader in wiring devices, with an estimated 2008 market share of approximately 19%. The Group also believes that it is the global leader in cable management products, with an estimated market share of approximately 15%.

More globally, the Group holds leadership positions for one or more product ranges in several countries. Approximately 48% of the Group's net sales comprised sales of products enjoying number one positions in their respective markets. The Group believes that its first-rate competitive position makes it the benchmark for its customers, distributors, electrical professionals, specifiers and end-users and strengthens demand for its products while contributing to the stability of its margins.

#### ■ 2.3.2.2 - MULTI-POLE STRUCTURE

Over the past few years, the Group has distributed its sales forces and industrial facilities more evenly around the world. As a result, Legrand is becoming a multi-pole group marked by the emergence of large new growth centers, including Mexico, Brazil, India, China and Russia.

More generally, Legrand has made significant investments to improve coverage of the Rest of Europe and the Rest of the World zones and thus increase the contributions of these areas to the Group's net sales. Thus, 66% of its marketing and sales staff covered the Rest of Europe and the Rest of the World in 2008, up from 51% in 2003. In 2008, Legrand generated 46% of its net sales in the Rest of Europe and the Rest of the World zones, whereas these areas accounted for only 33% of net sales in 2003.

#### ■ 2.3.2.3 - TECHNOLOGICAL EXPERTISE

Legrand has a long and proven track record for innovation, new product development and the improvement of the functionality

and reliability of its products. In addition, the Group has significant know-how in integrating innovative technologies into its product and solution offerings. As such, the Group regularly expands its product offering to include high added-value products and solutions based on new technologies to stimulate organic growth.

Thus, each year Legrand invests 4 to 5% of its sales in research and development throughout the economic cycles. To date, the Group holds 5,000 active patents. In 2008, new products (i.e., products less than five years old) accounted for approximately 38% of Group sales.

#### ■ 2.3.2.4 - QUALITY BRAND PORTFOLIO AND CONSISTENT "PUSH AND PULL" STRATEGY

Through its world renowned general brands, such as *Legrand* and *Bticino*, and broad portfolio of local or specialist brands, the Group believes that it offers a product range that its distributors, electrical professionals, specifiers and end-users associate with quality and to which they remain loyal. In particular, the Group believes that electrical professionals and specifiers, which are the principal drivers of demand, have for many years trusted its brands, products and systems for their security, reliability and ease of installation and use. The Group's brand portfolio is continuously leveraged onto the market through its "push and pull" strategy, which markets its products to distributors while concurrently creating demand for its products from electrical professionals, specifiers and end-users.

#### ■ 2.3.2.5 - ALMOST 170,000 CATALOG ITEMS

The Group believes that its catalogs are among the most comprehensive on the market, offering a broad range of products that can be readily integrated into systems. The Group's catalogs currently feature nearly 170,000 products in some 95 product families.

### 2.3.3 - Targeted acquisitions

#### ■ 2.3.3.1 - ACQUISITION TRACK RECORD

Since 1954, Legrand has acquired and integrated 125 companies into its global network, as growth through targeted acquisitions financed from cash flow is a recurring part of the Group's business model. Since January 2005, the Group has acquired 19 companies, each of which generated annual net sales of between €10 million and €100 million and which represented total acquired revenues of more than €600 million.

#### ■ 2.3.3.2 - ACQUISITION EXPERTISE

Due to the fragmented nature of its market, Legrand has a demonstrated ability to identify and complete acquisitions of small- and medium-sized companies that satisfy its criteria for complementary technology, location, markets or products. In addition, the Group has successfully exploited both commercial (complementary products, catalogs and commercial networks) and cost synergies. These synergies have allowed the Group to improve the profitability of the acquired companies, which as a rule are initially less profitable than the Group.

### ■ 2.3.3.3 - RIGOROUS TARGET SELECTION

The Group continues to review external growth opportunities through a rigorous process that allows it to ensure that an acquisition will increase its local market share, expand its product offering and technology portfolio or reinforce its presence in high-growth markets.

In addition, the Group ensures that each acquisition is completed in accordance with its financial criteria (principally, that the acquisition price corresponds on average to purchase price multiples less than or equal to those applied during the same

period to Legrand and to companies in the same sector that are comparable in terms of market position and growth potential).

The pace of acquisitions reflects the economic environment and changes in valuation multiples.

### ■ 2.3.3.4 - SELF-FINANCING

The Group's ability to generate high free cash flows of around 10% of Group sales over the past eight years and as defined in chapter 2.5 of the present reference document has enabled it to fund its own acquisitions in a virtuous and recurring process of value creation.

## 2.3.4 - Experienced and motivated management

The majority of the members of the Group's senior management team have, on average, 20 years of experience in the industry for products and systems for electrical installations and data networks. The combination of their experience, success and commitment to the Group has made it possible to create and maintain a unique corporate culture that inspires and rewards talent and initiative.

In addition, the Group's principal managers (approximately 200 persons) hold, directly or indirectly, approximately 5% of the Company's share capital or securities giving them access to that capital and, as a result, are incentivized to create shareholder value.

The Group also implemented stock-option and free-share plans to motivate its managers and increase their loyalty to the Group (see sections 9.2 and 9.3 of this reference document).

## 2.3.5 - Efficient business model with profitable growth opportunities

Due to its competitive strengths, the Group has developed an efficient business model with profitable growth opportunities:

- *organic growth.* With an average annual organic growth rate in net sales of approximately 5% between 1988 and 2008 and a total annual sales growth rate of around 8% over the same period, the Group's performance has been particularly satisfying;
- *external growth.* In addition to its organic growth, the Group has demonstrated its ability to expand regularly through targeted, value-creating acquisitions financed from cash flow. The Group estimates that approximately half of its growth between 1988 and 2008 was due to acquisitions and the Group intends to continue to develop its business through external growth;

- *high profitability.* The Group has historically maintained operating margins that are among the highest in its sector. For example, between 1988 and 2008, its average adjusted operating income margin was 15%;

- *strong cash flow generation.* The Group has historically been able to generate high levels of recurring cash flows, providing it with the financial and operational flexibility needed to grow its business. Between 2002 and 2008, free cash flow represented on average 69% of adjusted operating income, and around 10% of net sales, as compared with 39% and 6%, respectively, between 1990 and 2001. This reflects the significant improvement in Legrand's ability to convert its adjusted operating income into cash and to generate a high recurring level of free cash flow.

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## GENERAL INFORMATION ON THE GROUP

Summary of selected financial data

### ■ 2.4- STRATEGY

Legrand's long-term strategy, excluding cyclical effects, is to continue to optimize its business model through initiatives on growth, costs and capital employed, and thus to pursue its

development (notably through innovation and self-financed targeted acquisitions) and to increase cash flow generation while maintaining or increasing its margins.

### ■ 2.5- SUMMARY OF SELECTED FINANCIAL DATA

The Group has derived the following selected financial data as of and for the years ended December 31, 2008, 2007 and 2006 from its consolidated financial statements included in chapter 11 of this reference document. These consolidated financial statements were prepared in accordance with IFRS and audited by PricewaterhouseCoopers Audit and Deloitte & Associés.

Readers should read this summary selected financial data together with the information contained in chapter 7 of this reference document, the Group's consolidated financial statements, the related notes thereto (included in chapter 11 of this reference document) and other financial information included elsewhere in this reference document.



<i>(in € millions, except percentages)</i>	2008	2007	2006
<b>Net sales</b>	<b>4,202.4</b>	<b>4,128.8</b>	<b>3,736.8</b>
Total sales growth	+1.8%	+10.5%	+15.1%
Sales growth at constant scope of consolidation and exchange rates	(0.1)%	+8.6%	+7.8%
<b>EBITDA<sup>(1)</sup></b>	<b>859.9</b>	<b>877.4</b>	<b>773.0</b>
As a percentage of net sales	20.5%	21.3%	20.7%
<b>Maintainable EBITDA<sup>(2)</sup></b>	<b>907.5</b>	<b>885.6</b>	<b>796.6</b>
As a percentage of net sales	21.6%	21.4%	21.3%
<b>Adjusted operating income<sup>(3)</sup></b>	<b>697.9</b>	<b>724.0</b>	<b>616.2</b>
As a percentage of net sales	16.6%	17.5%	16.5%
<b>Maintainable adjusted operating income<sup>(2)</sup></b>	<b>745.5</b>	<b>732.2</b>	<b>639.8</b>
As a percentage of net sales	17.7%	17.7%	17.1%
<b>Net income<sup>(4)</sup></b>	<b>351.5</b>	<b>422.6</b>	<b>255.2</b>
<b>Free cash flow<sup>(5)</sup></b>	<b>429.6</b>	<b>552.9</b>	<b>456.1</b>
As a percentage of net sales	10.2%	13.4%	12.2%
<b>Net financial debt<sup>(6)</sup></b>	<b>1,862</b>	<b>1,798</b>	<b>1,676</b>

(1) EBITDA means operating income plus depreciation of tangible assets and amortization of intangible assets and impairment charges on goodwill. EBITDA is not a measurement of performance under IFRS and should not be considered as an alternative to (a) operating income or net income (as determined in accordance with IFRS) as a measure of the Group's operating performance, (b) net cash provided by operating activities, investing and financing activities (as determined in accordance with IFRS) as a measure of the Group's ability to meet cash needs or (c) any other measures of performance under IFRS. The Group believes that EBITDA is a measure commonly reported and widely used by investors and other interested parties as a measure of a company's operating performance and debt servicing ability because it assists in comparing performance on a consistent basis without regard to depreciation and amortization, which can vary significantly depending upon accounting methods (particularly when acquisitions are involved) or non-operating factors (such as historical cost). Accordingly, this information has been disclosed in this reference document to permit a more complete and comprehensive analysis of the Group's operating performance relative to other companies and the Group's debt servicing ability. Because all companies do not calculate EBITDA identically, the Group's presentation of EBITDA in this reference document may not be comparable to similarly titled measures of other companies.

(2) Maintainable EBITDA and maintainable adjusted operating income mean EBITDA or adjusted operating income, as the case may be, excluding the effect of restructuring charges and capital gains or losses in connection with the sale of assets relating to restructuring.

(3) Adjusted operating income is defined as operating income adjusted for purchase accounting charges recorded in connection with the acquisition of Legrand France and impairment of goodwill.

(4) Net income corresponds to published net income (before minority interests).

(5) Free cash flow is defined as the sum of net cash provided by operating activities and net proceeds of sales fixed assets less capital expenditure and capitalized development costs. Free cash flow is not an indicator of performance defined by the IFRS standards, and should not be considered as an alternative to net cash provided by operating activities, used in investing activities or provided by financing activities (as calculated in accordance with IFRS standards) in order to assess Legrand's capacity to address its cash needs or to any other indicator of performance defined by IFRS standards. Legrand considers that free cash flow is an often displayed and commonly used indicator by investors and other interested parties in order to assess its capacity to service debt, to finance acquisitions and to pay dividends. Therefore, this information is provided in this reference document for the purpose of allowing a more exhaustive and global analysis of Legrand's capacity to face debt service, to finance acquisitions and to pay dividends. As not all companies calculate free cash flow following the same method, the free cash flow shown in this reference document may not be comparable to free cash flow information provided by other companies.

(6) Net financial debt is defined as the sum of long-term borrowings, short-term borrowings and subordinated perpetual notes, less cash and cash equivalent and marketable securities.

The table below presents a reconciliation of EBITDA and Maintainable EBITDA to net income and operating income:

<i>(in € millions)</i>	2008	2007	2006
<b>Net income for the year</b>	<b>351.5</b>	<b>422.6</b>	<b>255.2</b>
Income tax	143.4	175.0	82.9
Share of loss/(profit) of associates	0.0	(2.0)	(0.8)
Loss on extinguishment of debt	0.0	0.0	109.0
Exchange (gain)/loss	25.3	(44.0)	(40.4)
Financial income	(29.1)	(42.5)	(33.7)
Financial costs	151.7	152.4	157.4
<b>Operating income</b>	<b>642.8</b>	<b>661.5</b>	<b>529.6</b>
Depreciation of tangible assets	136.1	131.5	142.0
Amortization of intangible assets	81.0	84.4	101.4
<b>EBITDA</b>	<b>859.9</b>	<b>877.4</b>	<b>773.0</b>
Restructuring charges	47.6	8.2	23.6
<b>Maintainable EBITDA</b>	<b>907.5</b>	<b>885.6</b>	<b>796.6</b>

The table below presents a reconciliation of the Group's adjusted operating income and maintainable adjusted operating income to net income:

<i>(in € millions)</i>	2008	2007	2006
<b>Net income for the year</b>	<b>351.5</b>	<b>422.6</b>	<b>255.2</b>
Income tax	143.4	175.0	82.9
Share of loss/(profit) of associates	0.0	(2.0)	(0.8)
Loss on extinguishment of debt	0.0	0.0	109.0
Exchange (gain)/loss	25.3	(44.0)	(40.4)
Financial income	(29.1)	(42.5)	(33.7)
Financial costs	151.7	152.4	157.4
<b>Operating income</b>	<b>642.8</b>	<b>661.5</b>	<b>529.6</b>
Amortization in connection with the acquisition of Legrand France <sup>(1)</sup>	55.1	62.5	86.6
Goodwill impairment	0.0	0.0	0.0
<b>Adjusted operating income</b>	<b>697.9</b>	<b>724.0</b>	<b>616.2</b>
Restructuring charges	47.6	8.2	23.6
<b>Maintainable adjusted operating income</b>	<b>745.5</b>	<b>732.2</b>	<b>639.8</b>

(1) Amortization in connection with the acquisition of Legrand France relates to amortizable tangible and intangible assets to which part of the price of the acquisition of Legrand France in 2002 was assigned.

The table below presents a reconciliation of free cash flow and net cash provided by operating activities:

<i>(in € millions)</i>	2008	2007	2006
<b>Net cash provided by operating activities</b>	<b>577.5</b>	<b>685.5</b>	<b>581.5</b>
Net proceeds from sales of fixed and financial assets	12.5	38.8	27.5
Capital expenditure	(131.0)	(149.4)	(130.8)
Capitalized development costs	(29.4)	(22.0)	(22.1)
<b>Free cash flow</b>	<b>429.6</b>	<b>552.9</b>	<b>456.1</b>

The table below shows the changes in Legrand's share capital:

<i>(in € millions)</i>	2008	2007	2006
Share capital	1,051.3	1,083.9	1,078.8
Retained earnings	1,378.3	1,238.4	1,217.6
Translation reserves	(249.4)	(194.0)	(136.6)
<b>Share capital (Group share)</b>	<b>2,180.2</b>	<b>2,128.3</b>	<b>2,159.8</b>

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# 3

## RISK FACTORS

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## RISK FACTORS

Risks related to Legrand's business

At the date of this reference document, the risks described below are those identified by the Company that could have an adverse effect on the Group's situation. Additional risks, which are not currently known or which are not potentially deemed, as of the

date of this reference document, to materially adversely affect the Group's business, financial condition or results of operations, may exist. The occurrence of one or more of these risks could also have an adverse effect on the Group's situation.

## 3.1 - RISKS RELATED TO LEGRAND'S BUSINESS

### ***Risks related to changes in the economic conditions affecting the building sector***

The Group's business could be affected by the impact that changes in general and local economic conditions have on the building sector. The sale of the Group's products is determined principally by the demand for such products from electrical professionals and building contractors, which in turn is primarily a function of the level of activity in the renovation and new construction sectors for residential, commercial and industrial buildings. For example, the French construction market as a whole shrank 2.3% in 2008 after rising 2.6% in 2007 (source: Euroconstruct, December 2008). Over the same period, Legrand reported a 1.0% decline in sales in France in 2008 at constant scope and exchange rates, compared with a 6.3% rise in 2007. To differing degrees, the level of activity in these sectors is sensitive to changes in general and local economic conditions. The impact of these changes may vary in time and significance across the markets and geographic zones in which Legrand operates. As is customary in its sector, Legrand does not have a backlog of customer orders, which would help it accurately predict future demand for the Group's products. If the volume of sales should decline, Legrand's profitability could be affected because certain costs are fixed over the short term.

Consequently, generalized or localized economic downturns in the countries in which Legrand markets its products could have an adverse effect on its business, financial condition, results or cash flows.

To anticipate these risks, the Group keeps a close watch on trends in its business and on profitability by geographic zone, in close collaboration with its local managers (see paragraph 5.1.6.2 of this reference document).

### ***Risks related to competition***

The market for the Group's products is competitive in terms of pricing, product and service quality, development and timing of new product launches.

Due to their size, the Group's competitors, mentioned in paragraph 5.1.3 of this reference document, may have superior financial and marketing resources compared to Legrand. The Group's competitors could be able to launch products with

superior characteristics or at lower prices, to integrate products and systems more effectively than Legrand does, to secure long-term agreements with some of the Group's customers or to acquire companies targeted for acquisition by Legrand. The Group could lose market share if it is not able to offer prices, technologies or quality which are at least comparable to those offered by its competitors or if it does not take advantage of new business opportunities arising from acquisitions. The Group's net sales and profitability could be consequently affected. Furthermore, in order to preserve its competitiveness, the Group regularly launches new products, and if they are not as successful as expected, this could have an adverse effect on the Group's business.

Smaller local competitors could benefit from better knowledge of their national markets and long-established relationships with electrical professionals and, as a result, have a competitive advantage. In addition, as the market for the Group's products evolves towards systems that combine traditional equipment and computerized systems, increased competition from new market entrants could lead to a decline in the Group's sales, a loss of market share or an increase in its sales and marketing expenses or research and development costs.

Moreover, in markets where the end user is particularly sensitive to price rather than product appeal or features, imports of lower-cost products manufactured in low-cost countries and sold at lower prices, including counterfeited products, could lead to a decrease in the Group's market share, or a decrease in the average selling price of its products, or both.

Legrand is aware of these risks and therefore engages in ongoing research and development and marketing efforts to increase the value of its products, while maintaining a tight rein on costs (see paragraphs 5.1.6.1.2 and 5.1.6.2 of this reference document).

### ***Risks related to the products sold***

Despite product testing, the Group's products might not operate properly or might contain errors and defects, particularly upon the launch of a new range of products or enhanced products. Such errors and defects could cause injury to persons and/or damage to property and equipment. These accidents have in the past and could in the future result in product liability claims,

loss of revenues, warranty claims, costs associated with product recalls, litigation, delay in market acceptance or harm to the Group's reputation for safety and quality. However, the Group's implementation of structured customer service has enabled it to identify product defects and take appropriate corrective action more quickly. All customer claims are systematically recorded and evaluated in real time. If necessary, an instant alert procedure is set in motion with industry contacts and the team in charge of the field of expertise. Between 2004 and 2008, the average annual rate of returns under warranty for the Group's products was less than 0.5% of products. The Group cannot guarantee that it will not face material product liability claims or product recalls in the future, or that it will be able to successfully dispose of any such claims or effect any such product recalls within acceptable costs. Moreover, a product liability claim or product recall, even if successfully concluded at a nominal cost, could have a material adverse effect on the Group's reputation for safety and quality, and on its business, financial condition, results or cash flows.

#### ***Risks related to the ability to recruit and retain qualified personnel***

Legrand's key personnel have been with the Group for many years and have extensive knowledge of its business and, more generally, its sector as a whole. The loss of any one of these key personnel could constitute a loss of industry and Group know-how, and could result in Legrand's competitors potentially being able to obtain sensitive information. The loss of key personnel could also adversely affect the Group's ability to retain its most important distributors, to continue the development of its products or to implement its strategy. Legrand's future success thus depends in part on the loyalty of its executive officers and other key employees and its ability to continue to attract, motivate and retain highly qualified personnel. To meet this challenge, Legrand has implemented certain mechanisms to motivate them and encourage them to stay with the Company (see paragraph 5.1.4.7 of this reference document). The Group has also taken action to develop human resources (see paragraph 6.5.1 of this reference document). However, if Legrand is unable to retain its key personnel, this could have an adverse impact on its business, financial condition, results of operations or cash flows.

#### ***Risks related to external growth***

The Group's growth strategy relies in part on the acquisition of local manufacturers that provide new technologies, new product lines, access to new markets and/or synergies with its existing operations. The Group may not be able to consummate transactions or obtain financing on satisfactory terms, successfully integrate acquired businesses, technologies or products, effectively manage newly acquired operations or realize anticipated cost savings. The Group may also experience problems in integrating acquired businesses, including possible inconsistencies in systems, procedures (including accounting systems and controls), policies and business cultures, the

diversion of management attention from day-to-day business, the departure of key employees and the assumption of liabilities, such as environmental liabilities. All these risks could have a material adverse impact on the Group's business, financial condition, results and cash flows. To minimize the impact of these risks, a dedicated team works closely with country managers to identify appropriate targets and coordinates the acquisition process with the various departments at headquarters (finance, legal, industrial, logistics, marketing, etc.) (see paragraph 5.1.4.6 of this reference document). The integration of acquired companies is supervised by a steering committee with participation by Management.

When these acquisitions are first consolidated in the financial statements, they result in recognition of goodwill or trademarks that can be significant. The value of these intangible assets is reviewed every year (see note 1 g) to the consolidated financial statements in chapter 11 of this reference document). A significant decline in the income of these companies could lead to recognition of impairment that could have a material adverse effect on Legrand's financial position and results. The hypotheses used in test calculating depreciation of goodwill take into account both known and anticipated trends in sales and results by CGU (Cash Generation Unit) at the time of calculation. Rates used can vary from one year to another depending on market conditions (risk premium, interest rates). As explained in note 3 to the consolidated financial statements in chapter 11 of this reference document, Legrand recorded no impairment at December 31, 2008.

#### ***Customer risks***

The Group derives a significant portion of its revenues from sales to its two largest distributor customers – Sonepar and Rexel. The Group's sales to Sonepar and Rexel represented approximately 28% of its net sales in 2008 and approximately 26% of net sales in 2007. In addition, sales to the Group's 10 most important customers (including Sonepar and Rexel) were less than around 35% of the Group's net sales in 2008 and 2007.

The Group enters into short-term agreements with its distributors, which, as a result, have no long-term contractual obligation to purchase its products. Due to the nature of the Group's relationship with its distributors, it often has a number of significant receivables outstanding from Sonepar and Rexel which it might not be able to recover were either of them to become insolvent or bankrupt. The Group carefully manages its working capital requirement (see paragraph 5.1.5.3 of this reference document), but it cannot guarantee that it will continue to maintain its relationship with its distributors or that, in the event that these relationships were suspended or terminated, electrical professionals and end-users would continue to purchase the Group's products through alternative distributors. The temporary or permanent interruption of the Group's relationship with its distributors could have a material adverse effect on its business, financial condition, results and cash flows.

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## RISK FACTORS

### Legal risks

#### **Risks related to operations**

##### **Dependence on suppliers**

In 2008, purchases from Legrand's top ten suppliers accounted for 14% of total consumption (raw materials and components), with no single supplier accounting for as much as 3%.

Moreover, to ensure a secure source of supplies, Legrand policy calls for diversifying resources whenever a recognized risk of dependence is identified. To this end, Legrand makes identification of alternative suppliers an integral part of its supplier risk analysis.

##### **Industrial site shutdown**

As a result of the industrial nature of Legrand's business, events of natural or other origin sometimes occur (such as fires, natural disasters, machine breakdowns, etc.) that could disrupt or interrupt a site's activity.

However, by actively taking steps to prevent industrial risks and making ongoing investments in maintenance and modernization

of production tools, Legrand is able to limit the likelihood that such a risk will occur. For example, Legrand conducts joint audits with experts from the Group's insurance companies to evaluate the level of fire prevention facilities and takes any actions deemed necessary.

In addition, Legrand has taken out a global insurance policy to cover direct property damage and operating loss resulting from accidents (see paragraph 5.2.8 of this reference document).

##### **IT systems**

Legrand's operations and international profile require multiple IT systems linked to each other, with increasing volumes of data exchanged. Despite of its efforts to protect its systems and networks, including the creation of a team dedicated to improving the quality and security of the IT systems, could be the target of viruses or other malicious attempts to intrude that could hamper the Company's operations and the quality of its customer service.

## 3.2 - LEGAL RISKS

#### **Risks related to existing or future regulations and compliance with domestic and international standards**

The Group's products, which are sold in almost 180 countries, are subject to numerous regulations, including trade, customs and tax regulations applicable in each of these countries and on the international level. Changes to any of these regulations and their applicability to the Group's business could lead to lower sales or increased operating costs, and result in a decrease in Legrand's profitability and income.

In addition, the Group's products are subject to quality and safety controls and regulations arising from national and international standards, such as European Union directives, and product norms and standards adopted by international organizations such as the European Committee for Electrotechnical Standardization and the International Electrotechnical Commission. A change or more stringent application of these quality and safety standards could require the Group to make capital expenditures or implement other measures to ensure compliance, the costs of which could have a material adverse effect on the Group's business, financial condition, results and cash flows.

The Group cannot give assurance that it has been or will be at all times in compliance with such standards and regulations, that it will not incur material costs or liabilities in order to ensure compliance with such regulations in the future or that it will be able to fund any such potential future liabilities.

In order to follow regulatory developments, the Group has established a compliance department which is in charge of managing related risks.

#### **Risks related to intellectual property rights**

The Group's future success depends to an extent on the development and protection of its intellectual property rights, particularly its *Legrand* and *Bticino* brands. In order to minimize this risk, the Group pays particular attention to defending its intellectual property, and relies on a dedicated team in its technical management department. This team monitors patents and trademarks, fights counterfeits and takes joint action with other significant market players in professional agencies (such as Gimmelec, ASEC, etc.). The Group may expend significant resources monitoring, protecting and enforcing its rights. If the Group fails to adequately protect or enforce its intellectual property rights, its competitive position could suffer, which could have an adverse effect on its business, financial condition, results or cash flows.

Furthermore, the Group cannot guarantee that its activities will not infringe on the proprietary rights of third parties. If this were to happen, it could be subject to claims for damages and could be prevented from using the contested intellectual property rights.

#### **Risks related to the environment**

The Group's activities, like those of similar companies, are subject to extensive and increasingly stringent environmental laws and regulations regarding, for example, air emissions, asbestos, noise, health and safety, the use and handling of hazardous waste or materials, waste disposal and the remediation of environmental contamination.



The Group may be required to pay potentially significant fines or damages as a result of past, present or future violations of applicable environmental laws and regulations, even if these violations occurred prior to the acquisition of companies or operations by Legrand. Courts, regulatory authorities or third parties could also require, or seek to require, Legrand to, on the one hand, undertake investigations and/or implement remedial measures regarding either current or historical contamination, of current or former facilities or offsite disposal facilities, and, on the other hand, curtail operations or temporarily or permanently close facilities in connection with applicable environmental laws and regulations. The Group may also become subject to claims for violations of environmental law. For example, it currently has decontamination obligations concerning a site in Pont-à-Mousson (France) and a site in Syracuse (United States) for which provisions have been made in a total amount of approximately €3 million. Any of these actions may harm the Group's reputation and adversely affect its operations, financial condition, results of operations and cash flows. Legrand has made and will continue to make capital expenditures to comply with applicable environmental laws and applicable regulations as they continue to change. If Legrand is unable to recover these expenditures through higher prices, then its results and cash flows could be affected.

### 3.3- FINANCIAL RISKS

#### **Interest rate risk**

The Group is exposed to risks associated with the effect of variations in interest rates (see note 23 a) to the consolidated financial statements in chapter 11 of this reference document). The Group manages this risk by using a combination of fixed and variable rate debt and through interest rate hedging arrangements. The use of derivative instruments includes the risk that counterparties will default on their obligations and terminate hedging agreements. In addition, the Group might be required to post cash-collateral in a restricted or pledged account equal to the level of the Group's commitments in order to cover liabilities arising from interest rate or to pay costs, such as transaction fees or brokerage commissions, in the event the hedging arrangements are terminated.

Swap agreements entered into between Legrand and credit institutions could provide that the swap counterparty may require Legrand to post collateral into a pledged or restricted account equal to its net liability determined on a marked-to-market basis, pursuant to the provisions of the relevant hedging agreement.

The details regarding the interest rate risk are discussed in note 23 a) to the consolidated financial statements in chapter 11 of this reference document.

Moreover, regulatory authorities could suspend the Group's operations if it fails to comply with relevant regulations, and/or may not renew the permits or authorizations the Group requires to operate. They could also mandate upgrades or changes to its manufacturing facilities that could result in significant costs to Legrand.

The Group has developed an environmental risk prevention and measurement policy implemented through environmental audits which are subsequently reviewed and analyzed by the Group's environmental risk management department. The implementation of this policy, which aims to evaluate preventable risks and to implement the actions necessary to control them, is a part of the Group's efforts to comply with applicable laws, particularly with respect to environmental protection and pollution control laws. Therefore, in the context of ISO 14001 certification, the Group has defined an environmental risk identification policy (see chapter 6 of this reference document). The Group sets up provisions on its financial statements when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated.

#### **Exchange rate risk**

The Group has certain assets, liabilities, revenues and costs denominated in currencies other than the euro and the dollar. These are most notably the Russian ruble, the Brazilian real, the Chinese RMB, the Australian dollar, UK sterling, the Mexican peso, the Turkish pound and the Polish zloty. The preparation of the Group's consolidated financial statements, which are denominated in euros, requires the conversion of those assets, liabilities, revenues and costs into euros at the then applicable exchange rates. Consequently, variations in the exchange rate of the euro versus these other currencies could affect the amount of these items in the Group's consolidated financial statements, even if their value remains unchanged in their original currency. These translations have in the past resulted and could in the future result in significant changes to the Group's results and cash flows from period to period.

In addition, to the extent that the Group incurs expenses that are not denominated in the same currency as that in which corresponding sales are made, exchange rate fluctuations could cause the Group's expenses to increase as a percentage of net sales, affecting its profitability and cash flows. The details regarding the exchange rate risk are discussed in note 23 b) to the consolidated financial statements in chapter 11 of this reference document.

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## RISK FACTORS

### Financial risks

#### **Liquidity risk**

The banking and financial indebtedness of the Group is described in section 7.5.2 of this reference document as well as in notes 14 and 17 to the consolidated financial statements in chapter 11 of this reference document.

Legrand which benefits from an investment grade rating from the major rating agencies, could be at a disadvantage compared to competitors who would not have the same level of indebtedness during the same period. In addition, the Group's capacity to comply with the covenants stipulated in certain borrowings (in particular the 2006 Credit Facility described in section 7.5.2.1 and the bank loan described in section 7.5.2.2 of this reference document), to refinance or redeem its borrowings according to the provisions thereof, will depend on its future operating performance and could be affected by a number of factors beyond the Company's control (economic environment, conditions of the debt market, changes in regulations, etc.). The method used to calculate the ratio of these contractual obligations is discussed in note 23 e) to the consolidated financial statements in chapter 11 of this reference document.

Legrand could therefore be forced to devote a significant part of its cash flow to the payment of the principal and interest on its debt, which could consequently reduce the funds available to finance its daily operations, investments, external growth or the payment of dividends.

Liquidity risk management is discussed in note 23 e) to the consolidated financial statements in chapter 11 of this reference document.

In addition, readers should refer to paragraph 19.9 of appendix 2 (Management Report) relating to agreements entered into by the Company and which would be altered or lapse in the event of a change of control of the Company.

#### **Raw materials risk**

Legrand is exposed to the risk generated by changes in the prices of raw materials.

The financial instruments used by Legrand to manage its exposure to raw materials risk are described in note 23 c) to the consolidated financial statements in chapter 11 of this reference document.

Legrand may not be able to pass on, immediately or in the long term, increases in costs of raw materials and components to the Group's customers through price increases. Its costs could therefore increase without an equivalent increase in sales, which could in turn affect its profitability and cash flows.

#### **Risks related to pension commitments**

The Group's subsidiaries have obligations to their employees relating to retirement in the majority of the countries where the Group operates. These commitments may be funded by payments to insurance companies or retirement plans where funds are held in trust, as determined by periodic actuarial calculations. Within the Group there are defined contribution plans and defined benefit plans (see note 16 to the consolidated financial statements in chapter 11 of this reference document).

Defined contribution plans are plans where the Group pays defined contributions to a separate entity. Thus, the Group has no legal or implied obligation to pay new contributions if the fund does not have enough assets to pay benefits to all employees for their years of service in the current period and prior periods.

Defined benefit plans specify the amount of benefits that employees will receive upon retirement. The Group thus has a legal or implied obligation to pay new contributions if the fund does not have enough assets to pay benefits to all employees for their years of service over the current period and prior periods. Rises or falls on stock markets can lead to variations in the value of assets invested in securities. In 2008, the actuarial trend in such assets was a €32 million decline.

If the amounts with respect to the Group's retirement benefits were to become due and payable, and the insurance and annuity contracts and other investments that the Group has entered into with respect to these liabilities were not sufficient to cover such liabilities, the Group could be required to make significant payments with respect to such retirement benefits. Any such payments could have an adverse effect on the Group's business, financial condition, results or cash flows.



# 4

## INFORMATION ABOUT THE GROUP

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## 4.1 - HISTORY AND DEVELOPMENT

### 4.1.1 - Company name

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The Company's name is "Legrand".

### 4.1.2 - Place of registration and registration number

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The Company is registered with the commercial registry of Limoges (*Registre du commerce et des sociétés de Limoges*) under number 421 259 615.

### 4.1.3 - Date and duration of incorporation

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The Company was incorporated on December 22, 1998, as a French stock corporation (*société anonyme*). The Company was transformed into a simplified joint stock company (*société par actions simplifiée*) by an Extraordinary General Meeting on December 5, 2001. The Company was again transformed into a

stock corporation (*société anonyme*) by a unanimous decision of the shareholders on November 4, 2002.

The Company's term has been extended until February 24, 2105, unless this term is extended or the Company is dissolved early.

### 4.1.4 - Registered office

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The Company's registered office is at 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges, France.

The telephone number of the registered office is +33 (0)5 55 06 87 87.

### 4.1.5 - Legal form and applicable law

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Legrand is a French stock corporation (*société anonyme*) with a Board of Directors. The Company is mainly governed by the provisions of Book II of the French Commercial Code.

### 4.1.6 - Important events in the development of the business

In 2008, Legrand's research and development teams worked on numerous new developments, and contributed to the launch of more than 20 new product lines, including:

- the *Art* range of wiring devices, designed for prestige projects in France and other parts of the world, and *Nepteo*;
- audio and video entry phones specifically targeting emerging markets in Latin America, the Middle East and Eastern Europe;
- Legrand audio and video entry phones for the Chinese market;
- the *Light Saver* solution for low-consumption lighting in the United States;
- *Mosaic* direct-clip trunking systems in France, effectively rounding out the *Mosaic* offering of wiring devices for applications in the commercial segment;
- *Evolution* floor boxes in the United States;
- *Uralight* emergency-lighting solutions; and
- the *VDI Power Commander IQ PDU* for data centers in the United States.

## 4.2 - INVESTMENTS

### 4.2.1 - Industrial investments and capitalized development costs

Investments and capitalized development costs amounted to €160.4 million in 2008 (€171.4 million in 2007 and €152.9 million in 2006), representing of 3.8% of the Group's consolidated revenues (4.2% and 4.1% respectively for 2007 and 2006).

Of this amount, 41.3% was dedicated to new products (33% in 2007 and 51% in 2006).

### 4.2.2 - Investments in shares: the Group's primary acquisitions

During 2008 (more precisely in the first half of 2008), Legrand made acquisitions totaling €123.6 million (after deducting the acquired cash), including, in particular, the following four companies financed from cash flow. All four have very strong positions in their markets:

- PW Industries, a US firm specializing in ceiling cable-tray systems for commercial and industrial applications. This reinforced the positions of Legrand, the uncontested world leader in cable management and number one in the United States in this field, enabling it to round out its offerings and accelerate growth on the industrial market. PW Industries generated net sales of \$32 million in 2007;
- Estap, the number one for VDI cabinets and enclosures in Turkey. The Group thus reinforced its positions in Turkey, where it is already a leading player in wiring and energy distribution. Moreover, with approximately 60% of its revenues generated from exports, particularly to Eastern Europe and the Middle East, Estap enhances Legrand's strong positions in these areas. Based in Istanbul with a manufacturing site in Eskisehir, Estap generated net sales of more than €22 million in 2007;
- HDL, the leader for audio and video entry phones in Brazil, which rounds out Legrand's strong position on this market, where it is already the leader in numerous fields, particularly wiring devices and modular circuit breakers. HDL generated net sales of approximately €20 million in 2007 and has two manufacturing sites in Manaus and Itu;
- Electrak, a UK leader for underfloor cable-management solutions for commercial segments. With solid positions in ceiling cable-management solutions in the United Kingdom, Legrand thus enhanced its product offering and reinforced its position on the non-residential market. Electrak generated net sales of nearly €20 million in 2007.



## INFORMATION ABOUT THE GROUP

### Investments

During 2007, Legrand made acquisitions totaling €265.1 million (after deducting the acquired cash), including, in particular, the following six companies financed from cash flow. All of these companies generally have strong positions in their markets:

- HPM, the number two player in wiring devices in Australia and New Zealand. This significantly strengthens Legrand's position in the Asia-Pacific region and in the domain of wiring devices, where it is the global leader. HPM generated net sales of approximately €100 million in 2006 with a workforce of around 875 persons;
- UStec, an American expert in global solutions for the distribution of Voice-Data-Image networks in homes, based in the State of New York. This acquisition strengthens Legrand's offering of home automation devices in the United States. UStec generated net sales of approximately \$12 million in 2006 with a workforce of 36 employees;
- Kontaktor, the Russian leader for air circuit breakers and molded case circuit breakers. By increasing its presence in Russia, where the Group already holds leading positions in wiring devices, cable management and modular circuit breakers, Legrand has become a key player in this high-growth market and continues its rapid growth in emerging countries. Kontaktor generated net sales of approximately €35 million in 2006 with a staff of more than 2,400 persons;
- Macse, the leader in metallic cable management in Mexico. Legrand thus enhanced its presence in Mexico, a high-growth market where the Group already holds leading positions in wiring devices and energy distribution. Macse generated net sales of approximately €10 million in 2006 with a workforce of 140 persons;

- TCL Wuxi, a Chinese firm specializing in modular and high current circuit breakers for residential, commercial and industrial applications. Legrand thus enhanced its presence in China, a very high-growth market. TCL Wuxi generated net sales of approximately €20 million in 2006 with a workforce of 700 persons;
- Alpes Technologies, a French leader in systems designed to optimize and measure the quality of electricity for commercial and industrial applications. Legrand continues its growth in the field of power distribution by enhancing its offerings and tapping new markets. Alpes Technologies had net sales of approximately €10 million in 2006 with a workforce of 40 persons.

During 2006, Legrand made several investments for a total amount of €85.9 million (after deducting the acquired cash) and in particular, Legrand made four self-financed acquisitions, with all four companies having strong positions in their markets:

- Shidean, the leader in audio and video door entry systems in China. In 2005, Shidean had approximately €15 million in net sales and employed a staff of around 900 persons;
- Cemar, the leader in Brazil for consumer units and industrial enclosures. In 2005, Cemar had approximately €28 million in net sales and employed a staff of around 400 persons;
- RM Kabelbaner, the leader in Denmark for metal cable management systems, with net sales of more than €5 million in 2005;
- Vantage, the number two player in the United States in high-end lighting control and specialist in home automation. In 2005, Vantage had approximately \$20 million in net sales.

### 4.2.3 - Main investments in progress

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In the Group's estimation, it is not currently involved in any material investments that call for detailed disclosure.

### 4.2.4 - Main planned investments and external growth policy

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The Company intends to pursue its long-term strategy of targeted acquisitions and investments, particularly in research and development, in accordance with the strategy described in this reference document (see in particular section 5.1.5 of this reference document).

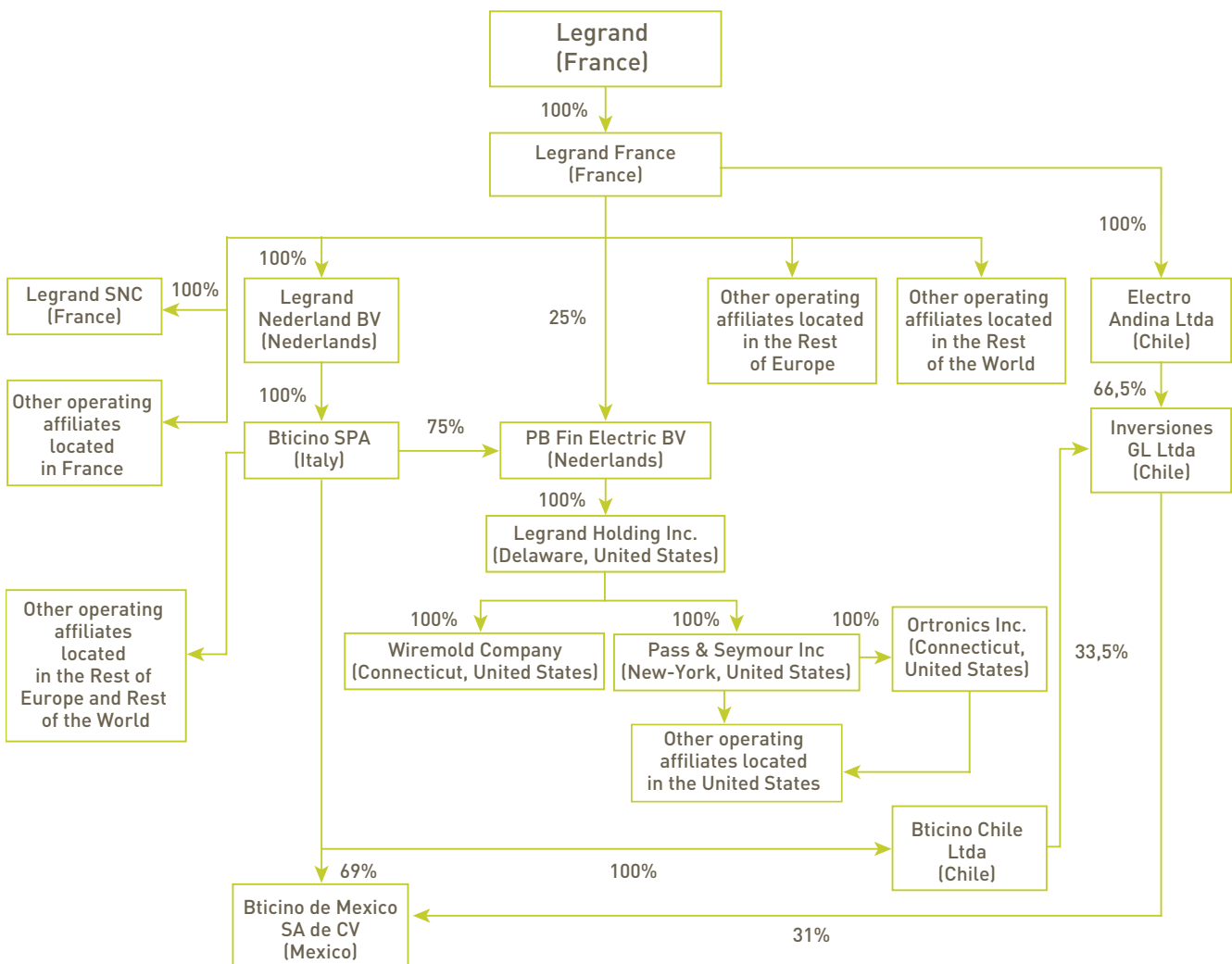
## 4.3 - ORGANIZATIONAL STRUCTURE

The Group is made up of Legrand and its 146 subsidiaries that it controls at December 31, 2008. The Company is the parent company of the Legrand Group and its principal business is providing general management and financial services to manage the Group's operations.

Legrand France, the Company's wholly-owned principal operating subsidiary, directly or indirectly controls all of the Group's subsidiaries.

The payment of dividends by Legrand's principal subsidiaries is decided by their respective Shareholders' Meetings, and is subject to local laws and regulations applicable to them. At the date of this reference document, Legrand had not identified any restrictions that would significantly limit its access to its subsidiaries' cash flows or to the payment of dividends distributed by the same.

### 4.3.1 - Organizational chart



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## INFORMATION ABOUT THE GROUP

### Organizational structure

## 4.3.2 - Subsidiaries and shareholdings

The main subsidiaries holding equity investments in the Group are described below. For a description of related party transactions, see section 10.3 of this reference document. For a description of the consolidated Group and the holding relationships, see the section entitled "General Information" in paragraph 11.1.2 of this reference document (notes to the consolidated financial statements in chapter 11 of this reference document).

### ■ BTICINO CHILE LIMITADA (CHILE)

Bticino Chile Limitada is a limited liability company under Chilean law, whose registered office is located at Vicuna Mackenna #1292, Santiago de Chile. Bticino Chile Limitada's main business is manufacturing and marketing electrical products and systems. In addition, Bticino Chile Limitada exploits the *Bticino* brand in Chile. Created on June 1, 1968, Bticino Chile Limitada joined the Group on July 1, 1989. Bticino Chile Limitada is wholly owned by Bticino SpA.

### ■ BTICINO DE MEXICO SA DE CV (MEXICO)

Bticino de Mexico SA de CV is a variable capital stock company under Mexican law, whose registered office is located at Carretera 57, Qro a S.L.P. Km 22.7, Santa Rosa de Jauregui, 76220 Queretaro. Bticino de Mexico SA de CV's main business is designing, manufacturing and marketing electrical products and systems. Created on January 30, 1952, Bticino de Mexico SA de CV joined the Group on August 15, 1989. Bticino de Mexico SA de CV is 69% owned by Bticino SpA and 31% owned by Inversiones GL Limitada.

### ■ BTICINO SPA (ITALY)

Bticino SpA is an Italian corporation whose registered office is located at Via Messina 38, 20154 Milano. Bticino SpA's main business is manufacturing and marketing electrical products and systems. Bticino SpA joined the Group on July 1, 1989. Bticino SpA is wholly owned by Legrand Nederland BV.

### ■ ELECTRO ANDINA LIMITADA (CHILE)

Electro Andina Limitada is a limited liability company under Chilean law, whose registered office is located at Vicuna Mackenna #1292 Santiago de Chile. Electro Andina Limitada's main business is manufacturing and marketing electrical products and systems. In addition, Electro Andina Limitada exploits the *Legrand* brand in Chile. Electro Andina Limitada was created and joined the Group on November 5, 1985. Electro Andina Limitada is wholly owned by Legrand France.

### ■ INVERSIONES GL LIMITADA (CHILE)

Inversiones GL Limitada is a limited liability company under Chilean law, whose registered office is located at Santiago de Chile. Inversiones GL Limitada's main business is holding equity investments in other companies. Inversiones GL Limitada was created and joined the Group on December 26, 2001. Inversiones GL Limitada is 66.5% owned by Electro Andina Ltda and 33.5% owned by Bticino Chile Ltda.

### ■ LEGRAND FRANCE (FRANCE)

Formerly known as Legrand SA, Legrand France is the Group's main operational subsidiary in France. Legrand France is a French stock corporation, registered under number 758 501 001 RCS. Limoges. Its registered office is located at 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges. Legrand France's main business is manufacturing products and systems for electrical installations and their components. Legrand France was created on July 11, 1953. Legrand France is wholly-owned by the Company. Legrand France holds equity investments in other operational subsidiaries of the Group located in France, in the Rest of Europe and in the Rest of the World. Gilles Schnepf is Chairman of the Board of Directors, CEO (*Directeur général*) and a Director of Legrand France. Olivier Bazil is Chief Operating Officer, Vice-Chairman of the Board of Directors and a Director of Legrand France. François Grappotte is Honorary Chairman of the Board of Directors and a Director of Legrand France.

### ■ LEGRAND HOLDING INC. (UNITED STATES)

Legrand Holding Inc. is a Delaware corporation, whose principal place of business is located at 60, Woodlawn Street, West Hartford, CT 06110. Legrand Holding Inc.'s main business is holding equity investments in other companies. Legrand Holding Inc. was created on July 18, 1984 and joined the Group on October 31, 1984. Legrand Holding Inc. is wholly owned by PB Fin Electric BV.

### ■ LEGRAND NEDERLAND BV (THE NETHERLANDS)

Legrand Nederland BV is a simplified joint stock company (*société par actions simplifiée*) under Dutch law. Its registered office is located at Van Salmstraat, 76, Boxtel 5281 RS. Legrand Nederland BV's main business is manufacturing and marketing metal cable management systems in the Netherlands and Austria. Legrand Nederland BV is wholly owned by Legrand France.



#### ■ **LEGRAND SNC (FRANCE)**

Legrand SNC is a general partnership (*société en nom collectif*) under French law, registered under number 389 290 586 RCS Limoges. Its registered office is located at 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges. Legrand SNC's main business is marketing and distributing products under the Legrand brand. Legrand SNC was created and joined the Group on December 8, 1992. Legrand SNC is wholly owned by Legrand France.

#### ■ **ORTRONICS INC. (UNITED STATES)**

Ortronics Inc. is a Connecticut corporation, whose registered office is located at 125, Eugene O'Neill Drive, New London, CT 06320. Ortronics Inc.'s main business is designing and marketing VDI products. Ortronics Inc. joined the Group on January 2, 1998. Ortronics Inc. is wholly-owned by Pass & Seymour Inc. In addition, Ortronics holds equity investments in other Group operating companies in the United States.

#### ■ **PASS & SEYMOUR INC. (UNITED STATES)**

Pass & Seymour Inc. is a New York corporation, whose registered office is located at 50, Boyd Avenue, Syracuse, NY 13221. Pass & Seymour's main business is designing, manufacturing and marketing electrical systems. Pass & Seymour was created on July 23, 1984 and joined the Group on October 31, 1984. Pass & Seymour is wholly owned by Legrand Holding Inc. In addition, Pass & Seymour holds equity investments in other Group operating companies in the United States.

#### ■ **PB FINELECTRIC BV (THE NETHERLANDS)**

PB Finelectric BV is a simplified joint stock company (*société par actions simplifiée*) under Dutch law. Its registered office is located at Van Salmstraat 76, 5281 RS Boxtel. PB Finelectric BV's main business is making equity investments in other companies. PB Finelectric BV was created and joined the Group on December 19, 1991. PB Finelectric BV is 75% owned by Bticino SpA and 25% owned by Legrand France.

#### ■ **THE WIREMOLD COMPANY (UNITED STATES)**

The Wiremold Company is a Connecticut corporation, whose registered office is at 60, Woodlawn Street, West Hartford, CT USA 06110. The Wiremold Company's main business is designing, manufacturing and marketing wire cable trays. The Wiremold Company joined the Group on January 8, 2000. It is wholly owned by Legrand Holding Inc.

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# 5

## THE GROUP'S BUSINESS

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## THE GROUP'S BUSINESS

Legrand's business

# 5.1 - LEGRAND'S BUSINESS

## 5.1.1 - Introduction

### 5.1.1.1 - GENERAL OVERVIEW

Legrand is the global specialist in products and systems for electrical installations and information networks where people live and work. Legrand develops, manufactures and markets a complete range of control and command, cable management, energy distribution and Voice-Data-Image ("VDI") products and systems. Legrand markets its products under internationally recognized general brand names, including *Legrand* and *Bticino*, as well as well-known local and specialist brands. Legrand has commercial and industrial establishments in more than 70 countries and sells a wide range of products, comprising approximately 170,000 catalog items, in nearly 180 countries. In 2008, the Group's consolidated net sales amounted to €4,202.4 million (of which more than 76% were generated outside of France). In addition, it has significantly increased its presence in the Rest of the World and the Rest of Europe zones over the past few years.

### 5.1.1.2 - HISTORY

Legrand France, formerly called Legrand SA, was founded in 1926 and incorporated as a French stock corporation (*société anonyme*) in 1953. In 1970, Legrand France carried out an initial public offering and was listed on the Paris stock exchange, now called Euronext Paris, until October 2, 2003, when it was delisted in connection with its acquisition by the Consortium (see below).

Legrand began to expand from France into other European and overseas markets during the 1960s and early 1970s, both by setting up its own commercial and production operations and by acquiring local manufacturers. In 1989, Legrand acquired Bticino, a major Italian manufacturer of low-voltage electrical fittings with established market positions in Italy, Mexico, Chile, Venezuela and Thailand. In 2000, Legrand acquired Wiremold, the United States specialist in cable management products, with market presence in Canada, the United Kingdom and Poland, as well as a number of medium-sized businesses located in Europe, the United States and Brazil. Finally, since January 2005, Legrand has made 19 acquisitions in Europe, the United States, China, Brazil, Mexico, Russia, Turkey and Australia. Since 1954, the Group has acquired 125 companies.

### Schneider public exchange-offer

In August 2001, Schneider Electric SA ("Schneider") acquired approximately 98% of Legrand France's share capital by means of a public exchange offer. In October 2001, the European Commission announced that it would not approve the acquisition by Schneider on competition grounds, forcing Schneider to divest its shareholding in Legrand France.

### Acquisition of Legrand France

On December 10, 2002, a consortium led by Wendel and KKR and including other institutional and private investors (including the founding families of Legrand France, the Verspieren and Decoster families and the group's managers) (collectively, the "Consortium") acquired approximately 98% of the share capital of Legrand France (named Legrand SA at the time of the acquisition) from Schneider (the "Acquisition").

On October 2, 2003, Legrand France was delisted from Euronext Paris following the completion of a buy-out offer to repurchase all outstanding shares in accordance with French procedures for the buy-out of minority shareholders.

### Debt restructuring

On January 10, 2006, the Company entered into a credit agreement in the amount of €2.2 billion (the "2006 Credit Facility") in order to (i) refinance in full the €1.4 billion syndicated credit facility entered into in December 2004, (ii) refinance the total nominal amount of its high yield notes issued in February 2003 (\$350 million bearing interest of 10.5% per annum and maturing in 2013 and €277.5 million bearing interest of 11.0% per annum and maturing in 2013), and (iii) partially repay the portion of the Subordinated Shareholder PIK Loan corresponding to the vendor financing granted by Schneider in connection with the acquisition of Legrand France and which came due upon the redemption of the high yield notes. In addition, the 2006 Credit Facility should also allow the Company to satisfy its general financing needs and, as the case may be, complete acquisitions.

In addition, when the high yield notes were issued, Legrand contractually agreed to comply with the reporting obligations applicable to companies registered with the US Securities and Exchange Commission (the "SEC") for so long as the high yield notes remained outstanding. On February 15, 2006, Legrand redeemed all of its high yield notes. Following the redemption, in February 2006, Legrand filed a Form 15 with the SEC to suspend its reporting obligations and is therefore no longer subject to those reporting obligations.

### Initial public offering

In April 2006, Legrand (formerly named Legrand Holding and the parent company of Legrand France since the Acquisition) listed its share capital on the Eurolist market of Euronext Paris in an initial public offering. On this occasion, the Company effected a public offering in the amount of €862.9 million through the issuance of 43,689,298 shares. In addition, the Company gave Group employees the opportunity to participate in Legrand's initial public offering on preferred terms through a capital increase reserved for its employees in the amount of €36.4 million (after taking into account discount fees in the amount of €9.1 million) through the issuance of 2,303,439 shares.

### Changes in the capital structure

At the time of the initial public offering in 2006, 20% of the Group's capital was held in free float. In November 2006, Goldman Sachs Capital Partners, Montagu Private Equity and WestLuxcon Holdings SA (a subsidiary of West LB AG), the historical shareholders of Legrand, sold a total of approximately 40 million Legrand shares on the public market.

Please see note 10 to the consolidated financial statements in chapter 11 of this reference document for updated information on the Company's share capital.

## 5.1.2- Legrand's market and its market position

Legrand designs, manufactures and markets products and systems for electrical installations and data networks, and its activities do not include energy production and transmission or production of lighting sources and electrical cables. Based on worldwide sales made by the Group and its competitors of products that are the same as, or interchangeable with, its products (referred to as Legrand's "accessible market"), Legrand estimates the accessible market at around €60 billion.

### ■ 5.1.2.1 - CAPACITY FOR RESISTANCE TO ECONOMIC CYCLES

The performance of the market for products and systems for electrical installations and data networks used in the building sector is naturally subject to the prevailing economic conditions. Because of its diversity, this market is resilient to the effects of economic cycles:

- the market includes the new construction sector and the renovation sector, the latter of which is less sensitive to economic cycles than the new building construction sector, as it requires lower investments and benefits from a recurring flow of activity arising from regular maintenance and modernization needs;
- the market is divided into the commercial, residential and industrial sectors, based on building types and end-user characteristics. Each of these sectors has its own growth dynamic;
- the market is principally characterized by a flow of activity fueled by numerous orders of relatively small value, unlike industries that are more dependent on large public or private projects. The market is therefore mostly widely dispersed and ongoing and is less sensitive to economic cycles than other markets, such as the medium- and high-voltage markets or infrastructure.

### ■ 5.1.2.2 - HIGH BARRIERS TO ENTRY

Legrand believes that access to the market by new competitors is made difficult by significant barriers to entry. For example, no new player of significant size has emerged on the market over the past 20 years. These barriers to entry include:

- the need to offer an extensive range of products and systems with multiple functionalities;
- differences in national electrical standards and local regulations, standards and aesthetic preferences, which require new entrants to make a high initial investment; and
- the need to establish privileged relationships with many market players, such as local electrical distributors, electrical professionals, specifiers and end-users.

### ■ 5.1.2.3 - LONG-TERM GROWTH POTENTIAL

Due to several factors, the market for products and systems for electrical installations and data networks offers attractive growth opportunities in the long term.

### Innovation and trading up

The market is characterized by a steady and growing demand for new products and functionalities. In particular, it offers growth opportunities resulting from the global trend towards innovation. Legrand's constant focus on technological innovation therefore allows the Group to effectively exploit this growth potential.

Legrand's market also offers long-term natural growth potential linked to increasing interest in high added-value products, with a focus on both functionality (new features and ease of use) and aesthetic features in an approach referred to as "trading up". For example, the successful commercial release of Céliane in France and the high-end product line Axolute in Italy, combining wiring devices, access control and home automation, had a positive effect on Legrand's sales.

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## THE GROUP'S BUSINESS

Legrand's business

In addition, Legrand sees strong growth potential in integrated systems and high added-value products in the United States (energy saving systems and high-end lighting control).

### Emerging markets

Moreover, in emerging markets such as Brazil, India, China, Mexico and Russia, the long-term development of electrical infrastructure and data networks creates demand for both low- and high-end products. Finally, as nearly one-fourth of the world's population does not yet have access to electricity, Legrand believes that the market offers significant long-term growth potential as such access is provided. In 2008, net sales in emerging markets represented around 29% of the Group's total revenues.

### Energy efficiency

Buildings account for 40% of total energy consumption. This is associated with growing demand on all Legrand's markets for products and systems reducing energy consumption, together with related environmental impact, and improving the quality of electricity.

Legrand does so with a comprehensive range of solutions for home automation and the control of lighting, electric shutters, hot water supply, and equipment in standby mode. Legrand solutions also enable customers to optimize the quality of electric current through source inversion, compensation of reactive energy, energy-efficient transformation, and surge protection. To take an example, the installation of presence detectors in a school room reduces energy consumption by around 52% and the investment more than pays for itself within a year.

Sales of energy-efficient solutions accounted for approximately 5% of Legrand's consolidated total in 2008, showing a year-on-year rise of 10% at constant scope of consolidation and exchange rates.

Legrand sees real growth potential in energy efficiency because of new regulations and growing demand for environmentally-friendly products with low energy consumption. For example, in France, the Grenelle Agreements on the environment call for a renovation program incorporating positive-energy or passive buildings.

#### ■ 5.1.2.4 - FRAGMENTED MARKET

The accessible market remains highly fragmented, as Legrand estimates that approximately 50% of worldwide net sales are made by often local, small- and medium-sized companies who typically enjoy only marginal worldwide market share. With an

estimated accessible market share on the order of 7% in 2008, Legrand believes it is a leader in, and the benchmark for, the market. Market fragmentation is due in part to differences between countries' applicable technical standards and norms and also to the various customs of the end-users in each country. Historically, initiatives to harmonize standards in order to make products able to be used worldwide have failed, even within the European Union, notably due to the significant investment necessary to replace existing electrical networks for only limited added-value. Consequently, a significant portion of the market for products and systems for electrical installations and data networks remains traditionally in the hands of local, modestly sized manufacturers. The acquisition of these manufacturers may offer growth opportunities.

#### ■ 5.1.2.5 - FAVORABLE PRICE TRENDS

The market is globally characterized by a relative lack of commoditization. Electrical professionals, specifiers and end-users pay special attention to products' technical characteristics, without necessarily considering price as the determining factor. Therefore, as an example, electrical professionals tend to favor products that can be efficiently used (quality, reliability, ease and speed of installation, compatibility with related products, long-term product availability, commercial and technical assistance, safety) and that offer characteristics demanded by end-users (functionality, aesthetics, ease of use).

According to a survey conducted by Sonepar, a French electrical equipment distributor, in terms of electrical installers' priorities, price was ranked seventh behind quality, delivery time, availability, on-time response to requirements, product documentation and ease of installation.

Whereas certain industries can be characterized by falling prices for products, Legrand's accessible market shows a different overall trend. The production and distribution value chain for Legrand's products benefits from an established ability to increase sales prices regularly over the long term. Moreover, end-user sensitivity to product prices is mitigated by the fact that electrical installations generally represent around 5% of the total cost of an average new commercial or residential construction project.

Moreover, Legrand has a degree of control over its prices due to its strong market position and ability to develop and offer innovative products. In 2008, around 48% of revenues were generated by products ranked number one in their respective markets.

Between 1991 and 2008, Legrand's selling prices increased by 2% per year on average overall in its markets.

### 5.1.3- Competitors

Legrand has established market positions in France, Italy and numerous other European countries, as well as in North and South America and in Asia. Its principal direct competitors include:

- specialized companies which mainly operate at a national or regional level, such as Deltadore in France, Hager Tehalit in Germany and France, Gewiss and Vimar in Italy, Niko in Belgium, Jung in Germany, Simon in Spain and Leviton,

Panduit, Thomas & Betts, Hubbell and Cooper Industries in the United States and Canada; and

- divisions of large multinational companies that compete with Legrand in a number of national markets, although not with respect to the full range of its products, such as Schneider Electric, ABB, Siemens, General Electric, Matsushita Group, Eaton and Honeywell International.

### 5.1.4- Competitive strengths

In addition to the attractive profile of its market, Legrand considers its principal competitive strengths to be the following:

#### ■ 5.1.4.1 - A PURE PLAYER WITH WORLDWIDE COVERAGE

In contrast to its large multinational competitors, Legrand focuses on the development, manufacture and sale of a complete range of products and systems for electrical installations and data networks. Legrand's specialization, without diversification, has allowed it to acquire technical and commercial expertise specific to its business.

This specialization is conducted through a network of subsidiaries, branches and representative offices in more than 70 countries that markets the Group's products into nearly 180 countries worldwide. Net sales realized outside the French market thus represent 76% of total sales in 2008. In particular, revenues earned in emerging markets represent nearly 29% of the Group total's business in 2008.

By leveraging off its strong local presence, Legrand has established longstanding and privileged commercial relationships with key local distributors, electrical professionals and specifiers who share their thorough knowledge of market trends and demands with Legrand.

#### ■ 5.1.4.2 - A LEADER WITH FIRST-RATE MARKET SHARES

Legrand believes that it is the worldwide leader in wiring devices, with an estimated market share of approximately 19% in 2008. Legrand also believes that it is the world leader in cable management products, with an estimated market share of approximately 15% in 2008.

More generally, Legrand also holds leadership positions for one or more products in several key countries, including cable management in the United States, France and many other European countries; wiring devices in France, Italy, Russia,

Brazil, Mexico and China; emergency lighting products in Spain, France and Australia; and modular power protection products in Poland, Brazil and India. Approximately 48% of the Group's net sales in 2008 comprised sales of products enjoying number one positions in their respective markets. The Group believes that its first-rate competitive position makes it the benchmark for its distributors, electrical professionals, specifiers and end-users and strengthens demand for its products while contributing to the stability of its margins.

#### ■ 5.1.4.3 - A MULTI-POLE STRUCTURE AND BALANCED EXPOSURE RESILIENT TO ECONOMIC CYCLES

Legrand believes that its exposure to economic cycles is mitigated by three important factors:

- approximately 60% of the Group's net sales in 2008 and 2007 were generated by the renovation market, which is less sensitive to economic cycles than the new construction market, in which Legrand generated 40% of its net sales in 2008 as in 2007;
- Legrand operates on three markets with different dynamics: the commercial market (47% of net sales in 2008, 46% in 2007), the residential market (42% of net sales in both 2008 and 2007) and the industrial market (11% of net sales in 2008, 12% in 2007); and
- the diversity of Legrand's international presence limits its dependence on the economic performance of one or more countries: Legrand has thus become a multi-pole group, with the emergence of development poles of significant size in countries such as Mexico, Brazil, India and Russia. In 2008, 16 countries generated sales greater than or equal to €50 million in 2008 (16 in 2007). More generally, Legrand has reinforced its positions in the Rest of Europe and Rest of the World zones, which accounted for 46% of sales in 2008 (43% in 2007), as compared with 33% in 2002.

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#### ■ 5.1.4.4 - RECOGNIZED TECHNOLOGICAL LEADERSHIP

Legrand has a long and proven track record for new product development, as well as the improvement of the functionality and reliability of its products. In addition, Legrand regularly expands its product offering to include higher added-value products (using in particular raw materials such as leather, wood and steel) and solutions based on new technologies, such as its universal multimedia socket, the first Wi-Fi outlet integrated into a range of wiring devices, the automatic reset circuit breaker and its home automation offerings, In *One by Legrand*, *My Home*, *Lubnet* and *Miro*, which simultaneously manage lighting, security, heating and sound distribution in a simple and ergonomic manner in residential buildings. The Group has also developed a special expertise in reducing energy consumption with systems developed by Watt Stopper (presence detectors, motion detectors, lighting management in the commercial sector).

Legrand has developed significant know-how in the integration of innovative technologies into its products and solutions offerings. This expertise presents an opportunity for sales growth as it allows end-users to constantly benefit from the widest possible choice in technologies.

#### ■ 5.1.4.5 - QUALITY-BRAND PORTFOLIO WITH COMPLETE RANGE OF PRODUCTS AND SYSTEMS

With its world renowned general brands, such as *Legrand* and *Bticino*, as well as an expansive portfolio of 31 well-known local and specialist brands, Legrand believes that it offers a product range that its distributors, electrical professionals, specifiers and end-users associate with quality and to which they remain loyal. In particular, Legrand believes that electrical professionals and specifiers, which are the principal drivers of demand, have for many years trusted its brands, products and systems for their security, reliability and ease of installation and use.

Legrand believes that its catalogs, which feature nearly 170,000 references organized into some 95 product families, are among the most complete on the market. Moreover, Legrand believes that it is the only market player offering wiring devices that both comply with the majority of international electrical standards and respond to the needs of electrical professionals and end-users, particularly due to their ready integration into systems.

Legrand constantly leverages its brand portfolio onto the market with its permanent "push and pull" strategy, which aims to market its product offerings to electrical distributors and stimulate demand for its products from electrical professionals, specifiers and end-users.

#### ■ 5.1.4.6 - RECOGNIZED GROWTH EXPERIENCE THROUGH TARGETED ACQUISITIONS

In the fragmented market context in which Legrand operates, the Group has a demonstrated ability to identify and complete acquisitions of small- and medium-sized companies that generally are well-known leaders in their local markets and which

fulfill Legrand's criteria of complementary technology, location, markets or products. In addition, Legrand has successfully exploited both commercial (complementary products, catalogs and sales networks) and cost synergies. These synergies have allowed the Group to increase the profitability of the companies it acquires, which usually have initially lower operating margins than the Group.

Since 1954, Legrand has acquired 125 companies and integrated them into its global network. Growth by self-financed, targeted acquisitions has been a recurrent aspect of Legrand's growth model. Since January 2005, Legrand has acquired 19 companies which generated annual net sales of between €10 million and €100 million, representing total acquired sales of more than €600 million.

More generally, the pace of acquisitions reflects the economic environment and changes in valuation multiples. In this context, Legrand maintains a disciplined financial approach based on the analysis of several criteria. It uses an analytical model to ensure that every acquisition:

- increases its local market share;
- expands its product offering and portfolio of technologies;
- enhances its presence on markets with high growth potential; and
- conforms to its financial criteria (principally that the purchase price on average represents valuation multiples less than or equal to those applied to Legrand and other comparable companies during the same period in the same sector (with a similar market position and growth potential); furthermore, the Group generally only includes short-term synergies that relate to operating costs in its modeling, except in exceptional circumstances).

The members of Legrand's management team, who have a thorough knowledge of local players, have developed close relationships with the market players and maintain regular contacts with companies identified as potential targets. A dedicated corporate development cell is responsible for monitoring the entire acquisition process and is particularly responsible for coordinating work among the Group's teams involved in an acquisition.

Legrand's ability to generate high cash flows of around 10% of Group sales over the past eight years has enabled it to fund its own acquisitions in a virtuous and recurring value creation process.

#### ■ 5.1.4.7 - EXPERIENCED AND MOTIVATED MANAGEMENT

The majority of the members of Legrand's senior management team have, on average, 20 years of experience in the low-voltage electrical installations industry. In addition, Legrand's principal managers (approximately 200 persons) directly or indirectly hold, or may exercise rights to hold, approximately 5% of the Group's share capital, and, as a result, are incentivized to create shareholder value.



Their experience and commitment to the Group have allowed Legrand to create and maintain a unique corporate culture that inspires and rewards talent and initiative. Under the tenure of its senior management team, Legrand has experienced sustained organic growth and strong financial performance and has completed numerous targeted acquisitions.

The Group has also established stock-option and free-share plans to motivate managers and increase their loyalty to the Company (see sections 9.2 and 9.3 of this reference document).

#### ■ 5.1.4.8 - EFFICIENT BUSINESS MODEL WITH PROFITABLE GROWTH OPPORTUNITIES ACROSS ECONOMIC CYCLES

Building on its competitive strengths, Legrand has developed an efficient business model with profitable growth opportunities:

- *Organic growth.* With an average annual organic growth rate in net sales of approximately 5% between 1988 and 2008 and a total annual sales growth rate of approximately 8% over the same period, Legrand's performance has been particularly satisfying;

- *External growth.* In addition to its organic growth, Legrand has demonstrated its ability to continuously expand through targeted, self-financed acquisitions that create value. Legrand estimates that approximately half of its growth between 1988 and 2008 was due to acquisitions and intends to continue acquisition-driven growth;
- *High profitability.* Legrand has historically maintained operating margins that are among the highest in its sector. For example, between 1988 and 2008, Legrand's average adjusted operating income as a percentage of net sales was 15%;
- *Strong cash flow generation.* Legrand has historically been able to generate high and sustained cash flows, which have allowed it to benefit from significant financial and operational flexibility to support the development of its business. From 2002 to 2008, free cash flows represented on average 69% of adjusted operating income and approximately 10% of sales (as compared with 39% and 6%, respectively, between 1990 and 2001) – which reflects the structural improvement in Legrand's ability to convert its adjusted operating income into cash and to generate a significant level of free cash flow on a recurring basis.

## 5.1.5 - Strategy

Legrand's long-term strategy, excluding cyclical effects, is to continue to optimize its business model through initiatives on growth, costs and capital employed and thus to pursue its development (notably through innovation and self-financed targeted acquisitions), and to increase cash-flow generation while maintaining or increasing its margins.

#### ■ 5.1.5.1 - PURSUE LONG-TERM GROWTH

In order to pursue and consolidate its growth, Legrand intends in the long term to:

- *drive innovation to renew and enhance its product ranges.* In order to fuel demand for its products, Legrand intends to launch, on a regular basis, enhanced product lines with new functionalities and significant added value. To this end, Legrand invests from 4% to 5% of its net sales in research and development each year. Legrand concentrates its research and development efforts on technologically advanced products with higher added-value, such as home automation systems, commercial lighting control, VDI products and the development of solutions that can be integrated into systems. Moreover, Legrand favors the development of products that share a common platform, thereby streamlining component production and reducing production costs. In addition, Legrand anticipates the use of its products around the world from the very time of their development. On average over the past five years, more than

30 new product ranges were launched each year, covering the Group's various lines of business, with an increased focus on high-end products and integrated solutions;

- *expand market coverage and improve its commercial efficiency.* Legrand's relationships with its distributors, electrical professionals, specifiers and end-users are central to its strategy. Legrand has more than 70 showrooms and 15 training centers, including Innoval in Limoges, which has welcomed more than 60,000 visitors (26,000 of them customers, 12,000 of whom received training) since it was founded in 1999. At the same time, Legrand expands its commercial coverage with a particular focus on markets with long-term high growth potential, such as emerging markets, Voice-Data-Image products, home automation systems and energy-efficient products;
- *focus on markets with high growth potential.* Legrand's sales and marketing initiatives are focused on market segments that offer the highest growth potential, in particular energy efficiency, high-end wiring devices and commercial and industrial applications such as power protection, lighting control, Voice-Data-Image networks and wire mesh cable management. In particular, a team known as IKAP (International Key Accounts and Projects) dedicated to large international projects in the commercial and industrial fields (hotels, hospitals, factories, airports, office buildings) helps customers define their needs and offers them turnkey solutions;

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- *expand geographic presence.* Legrand seeks over the long term to continue to expand its presence in countries with high growth potential and thereby pursue international development. Therefore, it has established more than 25 subsidiaries or branches since 2002, with a particular focus on emerging markets within Eastern Europe, the Middle East and Asia. Legrand's sales generated in emerging markets represented 29% of the Group's total operations in 2008;
- *pursue growth through targeted and recurring acquisitions, as market conditions permit.* Legrand intends to continue to pursue targeted acquisitions over the long term in order to pursue growth. Given the fragmented nature of its market, the Group will continue to focus on small- and medium-sized businesses. In addition, the Group's senior management team, which has strong knowledge of local market participants, has cultivated close relationships with market players and is frequently in contact with companies it has identified as potential targets. External growth opportunities are analyzed as described in paragraph 5.1.4.6;
- *develop added-value customer services.* The Group also aims to optimally leverage its brands by expanding its added value customer service offerings. Consequently, Legrand has developed a number of added-value services, such as customer call centers for households, electrical distributors and electrical professionals in France. In addition, the Group offers training sessions to electrical professionals and distributors which are designed to introduce them to new product offerings (particularly those with a high technological component) expand their expertise and demonstrate installation methods. Legrand also provides practical and detailed technical guides for its products, including through Internet sites and specialized software.

#### ■ 5.1.5.2 - OPTIMIZE COST STRUCTURE TO IMPROVE PRODUCTIVITY AND FLEXIBILITY AND ADJUST COSTS TO MARKET TRENDS

Legrand intends to continue to optimize its purchasing costs based on initiatives launched in 2003 to centralize, globalize and standardize its purchasing functions.

In order to improve its productivity and the flexibility of its cost structure, Legrand intends to capitalize on its operational initiatives implemented over the last few years. In particular, by relying on the organization of its production and product development activities into four industrial divisions, Legrand is looking to accelerate the specialization of its production sites, the transfer of certain activities to lower-cost sites and countries, the use of outsourcing and the realization of economies of scale. This strategy has notably allowed an increase in the portion of

the production headcount located in low-cost countries from 31% of total headcount in 2002 to 57% in 2008. These initiatives also enabled the Group to improve the flexibility of its cost structure by increasing the variable portion of its operating costs, which represent around 55% of total expenses.

In 2008, Legrand demonstrated its responsiveness and ability to quickly adapt its administrative, selling and production costs to changing trends in its markets. Thus, in the fourth quarter of 2008, production costs and administrative and selling costs were reduced by 13.3% and 3.3% respectively, on a like-for-like basis. Legrand intends to pursue its cost-cutting efforts in 2009.

#### ■ 5.1.5.3 - INCREASE CASH FLOW AND OPTIMIZE CAPITAL EMPLOYED OVER THE LONG TERM

Legrand has structurally enhanced its ability to generate cash flows over the long term by continuing to grow its net sales, cutting costs, optimizing its investments and keeping a tight rein on its working capital requirement.

Through the systematic application of its "make or buy" approach to all investment projects, the transfer of certain production activities to countries with low capital costs and a reduction in capital expenditure in connection with the specialization of its production sites, Legrand has been able to reduce its ratio of capital expenditure (including capitalized development expenses) to net sales from 9% between 1990 and 2001 to 4% over the past five years. Legrand believes that, due to the development of its business model and its improved operational structure, the Group should be able to maintain capital expenditure ratios within a normalized range not exceeding 4% to 5% of consolidated sales.

In addition, after having reduced the ratio of the Group's working capital requirement to net sales from an average of 21% between 1990 and 2001 to an average of 13% between 2003 and 2008, Legrand intends to continue to carefully manage its working capital requirement in order to keep it between 12% and 14% of sales, depending on the economic environment.

The Group has historically been able to generate high and sustained cash flows, which have allowed it to benefit from significant financial and operational flexibility to support the development of its business, particularly through external growth. Between 2002 and 2008, free cash flow represented 69% of adjusted operating income, and around 10% of net sales, as compared with 39% and 6%, respectively, between 1990 and 2001. This reflects the significant improvement in Legrand's ability to convert its adjusted operating income into cash and to generate a high recurring level of free cash flow.

## 5.1.6 - Operational structure

Legrand operates manufacturing and distribution subsidiaries and offices in more than 70 countries and sells its products in nearly 180 countries. At the end of 2001, Legrand launched a number of organizational and operational initiatives aimed at accelerating growth, improving margins, optimizing capital employed and increasing its ability to adapt and its responsiveness. As a result, the Group now organizes and operates its business on the basis of a separation between its sales and marketing activities ("front office") and its production, purchasing, logistics and general administration activities ("back office").

- Legrand's back office is organized on a centralized basis and comprises the Group's production, research and development, purchasing, logistics and general administration departments. The section of the back office responsible for manufacturing products and research and development is organized into four industrial divisions which seek to optimize industrial production, develop new products through an increase in research and development efforts, reduce back office costs and optimize capital employed at the Group level. The heads of each industrial division, as well as the head of each of the main operational departments, report directly to the Group's CEO. This operational structure has resulted in streamlining of the Group's production activities and, more generally, has allowed it to adapt back-office costs to changing trends in sales, particularly during an economic downturn.
- Legrand's front office consolidates Group operations relating to marketing strategy and interfacing with distributors, electrical professionals, specifiers and end-users. Such operations are organized on a decentralized basis and are run by the Group's country managers, who focus on developing sales, increasing commercial profitability and reducing working capital requirements on a country-by-country basis.

### ■ 5.1.6.1 - BACK OFFICE

Legrand's back office is centralized at the Group level and is dedicated to developing new products, reducing costs and optimizing capital employed. The Group's back office is in charge of production, research and development, purchasing, logistics and general administration operations.

#### 5.1.6.1.1 - Production

Due to the close relationship between production and technology employed, Legrand reorganized its production and product development activities in 2001 into five industrial divisions pooling production expertise specific to the industrial processes involved in manufacturing its products.

To take account of changes in its markets and growth opportunities in the commercial and industrial fields over the long term, Legrand decided in 2007 to align this organization

on the structure of its markets. Its industrial organization now consists of four divisions:

- the Wiring Devices and Home Systems Division, to develop offerings combining comfort, security and communications, and to bring an added aesthetic dimension to our products;
- the Energy Distribution and Industrial Applications Division, to develop a broader portfolio of products and systems to better respond to the needs of commercial and industrial customers;
- the Building Management Division, to develop an offering for commercial buildings (lighting management, Voice-Data-Image, safety and energy efficiency);
- the Cable Management Division, to develop and manufacture all devices used in secure distribution of electricity and information in buildings.

On a stand alone basis, each industrial division is responsible for:

- developing new products;
- defining and implementing its industrial plan;
- increasing its industrial profitability; and
- reducing capital employed.

More specifically, the industrial divisions continuously aim to increase their industrial profitability and reduce capital employed by:

- optimizing and streamlining industrial sites;
- specializing plants by product line or technology to reach critical mass. These specialized plants allows Legrand to centralize know-how and act as a benchmark for the rest of the Group with respect to their specific industrial processes;
- systematically applying a "make or buy" approach for all new projects to determine when capital should be invested in new production assets as opposed to outsourcing production to subcontractors;
- creating lean manufacturing workshops on sites in order to optimize productivity and capital employed; and
- transferring production to other units within the Group which carry lower production costs. In 2008, 57% of the Group's production employees are located in low cost countries, as compared with 31% in 2002.

As a result of the continuous optimization policy of its industrial divisions, Legrand has closed or sold more than 25 plants over the past five years (notably in Austria, Brazil, South Korea, France, Italy, Morocco, Mexico, the Netherlands, Peru, the United Kingdom and the United States).

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## THE GROUP'S BUSINESS

Legrand's business

### 5.1.6.1.2 - Research and development

On a recurring basis, Legrand's research and development expenses (before purchase accounting charges relating to the acquisition of Legrand France and including capitalized development expenses) as a percentage of net sales represented between 4% and 5% of net sales. Over the past five years, more than 30 new product ranges have been launched each year on average, spanning all the Group's lines of business (see paragraph 5.1.5 of this reference document).

### 5.1.6.1.3 - Purchasing

As part of its industrial reorganization starting in 2003, Legrand implemented a more centralized purchasing organization to optimize its purchasing and improve its purchasing profitability. This purchasing organization now reports directly to the head of purchasing and is characterized by:

- a purchasing structure that is adapted to the Group's suppliers' worldwide organization, which puts it in an equal bargaining position (locally or by geographic zone) with them so that the Group may benefit from economies of scale;
- purchasing management led by user/buyer teams which aim to maximize the value of the Group's purchasing by making pricing a criterion of supplies selection; and
- the involvement of buyers in the research and development process to capture savings at the very beginning of product development.

Through the channels of the Group's new purchasing organization, purchasing is optimized through the following means:

- consolidating purchasing for all divisions of the Group;
- purchasing of raw materials and components from lower cost countries. Since 2003, Legrand has opened an international purchasing office in each of Asia, Latin America and Eastern Europe, which allows it to purchase raw materials and components from lower-cost countries and to purchase certain raw materials and components for the entire Group at a global level;
- adapting the Group's consumption of raw materials and components to fit with those materials readily available on the market;
- continuously optimizing the Group's supply specifications for raw materials and components to meet the Group's actual needs;
- adapting industrial processes to optimize the Group's cost structure; and
- adapting its corporate habits, including those relating to transportation (personnel and materials), supplies, office management and information technology, to reduce costs while still conforming to the Group's needs.

### 5.1.6.1.4 - Logistics and inventory management

Legrand's primary logistical concern is ensuring timely product delivery to its distributors by adapting the volume and nature of customer shipments to the lower storage, preparation and transport costs. Recent initiatives to streamline inventory management have helped the Group to decrease its ratio of inventory value to consolidated net sales from an historical level of 17% on average between 1990 and 2001 to less than 15% on average between 2002 and 2008. To this end, Legrand developed and refined its industrial management methods, such as Kanban, the Group's just-in-time production management system that manages parts required for product assembly, and Manufacturing Resources Planning 2, a production management system that enables the Group to optimize the use of all manufacturing resources.

In each market where it distributes its products, Legrand maintains logistics, inventory management and distribution systems adapted to local market conditions. The Group's operating subsidiaries take orders and ship products out of their own inventory. These inventories include both products manufactured locally and products manufactured in other jurisdictions. The Group has implemented automated and computerized systems for the majority of its warehouses. The Group's principal warehouses (located in France and Italy and which supply most of the countries in which it operates) are equipped with an advanced warehouse management system, Warehouse Management System (WMS), which allows Legrand to know exactly how much inventory it has and to prepare products for delivery on a real-time basis. This system has enabled Legrand to improve its quality of deliveries by ensuring reliability and timeliness.

Legrand's Distribution Resources Planning (DRP) tool records on a nightly basis the inventories, forecasts and local customer orders worldwide. In the United States, Legrand manages its inventories with PKMS software.

Legrand believes that its logistics organization allows it to guarantee high-quality service to its customers, in terms of both availability and flexibility, speed and adaptability.

### ■ 5.1.6.2 - FRONT OFFICE

Legrand's front office interfaces with distributors, electrical professionals, specifiers and end-users. The front office in each country is run by a country manager who reports directly to the Group's head office and is responsible for:

- increasing sales;
- increasing commercial profitability; and
- reducing working capital requirements through efficient management of inventory and accounts receivable.

In each country, the Group's subsidiaries are given significant latitude to manage their local business and personnel. Local managers are encouraged to manage local operations using an approach the Group sometimes refers to as "manage it as if it were your own company," which it believes allows Legrand to motivate its local managers and employees and increases its ability to respond to the needs of and changes in local markets.

Local operations are supported by the Group's marketing team, which is responsible for defining the Group's marketing strategy, the evolution of the Group's product offerings and specific measures for high growth potential markets, as well as developing the marketing programs for its products.

An important initiative since Spring 2006 has been the deployment of a pricing cell charged with adjusting our selling prices by family of products or catalog item. The goal is to use Legrand's pricing power to offset rising raw material and component costs.

Counting over 40 staff members and in daily contact with teams at local level, it aims to translate the benefits of Legrand innovations into market prices, which it harmonizes worldwide on all markets, backing this up with monitoring to ensure that the reference prices are in fact applied.

The cell also ensures that variations in raw material prices are properly reflected in sales prices. To this end, it conducts regular reviews with purchasing and finance teams, each quarter or each month in times of high volatility, to propose appropriate pricing adjustments for the products most exposed to raw material costs.

Legrand has created a Key Accounts unit, which is dedicated to covering its international customers that have global commercial projects. The Key Accounts unit markets the Group's entire product offering in all of its geographic markets.

## 5.2- PRINCIPAL ACTIVITIES

### 5.2.1 - Financial information by geographic zone

The Group organizes its financial reporting along five geographic zones. References to headcount mean average headcount.

Please see sections 7.3.2.9 and 7.3.2.10 of this reference document for more information on business development by geographic zone over the past three years.

#### 5.2.1.1 - FRANCE

Sales made in France represented 24% of the Group's 2008 consolidated net sales.

In France, the Group principally markets its products through its *Legrand*, *Ortronics*, *Planet Wattohm*, *Arnould*, *Bticino*, *Cofrel*, *Sarlam*, *Cablofil*, *Zucchini*, *URA* and *Alpes Technologies*.

In France, the Group operates approximately 15 principal sites and employs 8,004 people, approximately 14% of whom are employed in the front office and 86% of whom are employed in the back office (see sections 5.1.6. and 5.2.7. of this reference document).

#### 5.2.1.2 - ITALY

Italy represented 17% of the Group's 2008 consolidated net sales.

In Italy, the Group principally markets its products through its *Bticino*, *Legrand*, *Zucchini* and *Ortronics* brands.

In Italy, the Group operates approximately 10 principal sites and employs 3,490 people, 17% of whom are employed in the front office and 83% of whom are employed in the back office (see sections 5.1.6 and 5.2.7 of this reference document).

#### 5.2.1.3 - REST OF EUROPE

The Rest of Europe zone is made up of Europe not including France and Italy. The majority of revenues come from Spain, the United Kingdom and Russia. Sales in the rest of Europe zone represented 23% of the Group's 2008 consolidated net sales.

In the Rest of the Europe zone, the Group principally markets its products through its *Legrand*, *Ortronics*, *Bticino*, *Quintela*, *Tegui*, *Van Geel*, *Kontaktör*, *Tenby* and *Baco* brands. Legrand reinforced its presence in the Rest of Europe zone by acquiring Estap in Turkey and Electrak in the United Kingdom in 2008.

The Group employs 7,222 people throughout the Rest of Europe zone, approximately 21% of whom are employed in the front office and 79% of whom are employed in the back office (see sections 5.1.6 and 5.2.7 of this reference document).

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## THE GROUP'S BUSINESS

Principal activities

### ■ 5.2.1.4 - THE UNITED STATES AND CANADA

The United States and Canada zone represented 13% of the Group's 2008 consolidated net sales.

In the United States and Canada zone, the Group markets its products through brands that are coupled with the Legrand brand, such as *Ortronics*, *Wiremold*, *Pass & Seymour*, *Watt Stopper*, *OnQ*, *Cablofil* and *Vantage*. Legrand reinforced its presence in the United States by acquiring PW Industries in 2008.

The Group operates approximately 10 principal sites in the United States and Canada zone and employs 2,588 people throughout the zone, of whom approximately 20% are employed in the front office and 80% are employed in the back office (see sections 5.1.6 and 5.2.7 of this reference document).

### ■ 5.2.1.5 - REST OF THE WORLD

The Rest of the World zone consists primarily of Brazil, Mexico, Chile, Costa Rica, Venezuela, Colombia, India, South Korea, Australia, Egypt and China. The zone represented 23% of the Group's 2008 consolidated net sales.

In the Rest of the World zone, the Group markets its products through the *Legrand*, *Bticino*, *Ortronics*, *Luminex Legrand*, *TCL Legrand*, *Shidean*, *Anam Legrand*, *Lorenzetti*, *Pial Legrand*, *Cemar*, *Tenby*, *HPM* and *Baco* brands. The Group reinforced its presence in the Rest of the World zone by acquiring HDL in Brazil in 2008.

The Group employs 13,526 people throughout the Rest of the World zone, approximately 21% of whom are employed in the front office and 79% of whom are employed in the back office (see sections 5.1.6 and 5.2.7 of this reference document).

## 5.2.2 - Products

The Group offers nearly 170,000 catalog items, grouped into 95 product families. These product families can in turn be divided into four principal product groups:

- control and command;
- cable management;
- energy distribution; and
- Voice-Data-Image ("VDI").

Each product group is marketed in all of Legrand's major geographic markets. The technical characteristics and design of Legrand's products differ depending on whether they are installed in commercial, residential or industrial buildings.

Legrand sells its products under two key worldwide global brands, *Legrand* and *Bticino*, one worldwide VDI specialist brand, *Ortronics*, and several leading local brands, such as *Wiremold*, *Watt Stopper* and *Pass & Seymour* in the United States, *TCL Legrand* and *Shidean* in China, *URA*, *Arnould* and *Cablofil* in France, *HPM* in Australia, as well as numerous other brands which enjoy strong name recognition on several local markets.

Control and command products and systems, cable management, energy distribution, VDI and related products respectively represented around 42%, 21%, 25% and 12% of the Group's net sales in 2008 (43%, 21%, 25% and 12% of 2007 net sales, respectively).

### ■ 5.2.2.1 - CONTROL AND COMMAND

Control and command products and systems are the interface between end-users and their electrical installation, permitting them to access comfort, security and communication functions in the home or workplace, including:

- comfort functions, such as lighting, climate control, sound diffusion or automated shutter closing. These products range from basic electrical "on-off" switches and wall sockets to

thermostats, dimmers, switches activated by infrared presence detectors, electro-mechanical and electronic timer switches and other building automated products that enable end-users to control the flow of electricity and data;

- security functions, such as emergency lighting, intruder alarms, fire alarms, and building access control. In the security sector, Legrand offers a number of products, including fire and intruder alarm systems, smoke, water, heat and motion detectors and emergency lighting equipment for homes, offices and other commercial properties. Legrand's systems are designed to permit rapid installation by electrical professionals and maximum flexibility, convenience and security for the end-user. Legrand also offers a wide range of communications products such as audio and video door entry phones and electric chimes for residential use; and
- communication functions, such as video, telephone or IT networks. With respect to communication functions, Legrand has developed significant know-how in "smart" house systems known as "home automation." All household appliances and electrical functions are connected to a central unit through these systems, therefore allowing the end-user to regulate security, comfort and energy consumption locally or remotely. These systems give Legrand the opportunity not only to sell the control unit, but also to provide the related cable management products and wiring devices in an integrated package.

Legrand has been producing controlling and connection products and systems for electrical installation since it began doing business and has unrivaled experience that sets it apart from its large competitors in this field, whose experience lies chiefly in the technical energy distribution market. The Group believes that it has a leading position in the worldwide market for the manufacture of control and command products. Legrand believes that it is the global market leader in wiring devices (mainly switches and sockets) with an estimated market share of approximately 19% based on the Group's net sales in 2008.

The Group is one of the few manufacturers offering wiring device products adapted to the principal electrical standards in use around the world.

#### ■ 5.2.2.2 - CABLE MANAGEMENT

Cable management products include trunking and ducting, mini column, cable routing systems, floor boxes, busbars, wire cable trays and other products that provide safe distribution of electricity and data in buildings. These items are designed to prevent potentially hazardous contact between electrical wires and cables and other electrical or mechanical equipment, or any exposure of such wires and cables that could pose a danger to end-users. Cable management products include various products designed specifically for the requirements of particular industries or businesses, such as the Group's range of specialized ducting products for use in hospitals.

Legrand believes that it is the world's leading manufacturer of cable management products, with an estimated market share of its accessible market of approximately 15%, based on the Group's 2008 net sales.

#### ■ 5.2.2.3 - ENERGY DISTRIBUTION

Energy distribution products consist of circuit breakers, distribution boards, residential, commercial and industrial enclosures, earth leakage circuit breakers and other products that protect people, appliances and electrical systems from electrical faults and electrocution up to 4,000 amperes, and from power surges.

In the circuit breaker market, Legrand has steadily improved its product ranges and market position by offering circuit breakers with increased performance both in electrical (technical performance and electronic regulation) and installation (ease of use and ease of installation) terms. In accordance with the Group's strategy to cover multiple markets using one product platform, Legrand has extended the application of Lexic

and Btdin from France and Italy to almost all the geographic segments in which the Group operates. In addition, in accordance with the Group's strategy to sell higher value-added products, these product lines have been complemented with products whose characteristics have constantly been improved, such as "air circuit breaker" technology, which protects circuits up to 4,000 amperes.

Legrand believes that it is one of the principal manufacturers of energy distribution products and that it is among the top five players in the European, Asian and South American energy distribution product markets.

#### ■ 5.2.2.4 - VDI

In the Voice-Data-Image sector, Legrand offers a broad range of complete pre-wiring systems for computer, telephone and video networks, such as a new high transmission rate *RJ45* multimedia socket for data communication applications, fiber optic jacks, fiber optic and copper patch panels, VDI cabinets and enclosures and cable management accessories, copper and fiber optic VDI cables, all of which facilitate the organization of telephone and data networks in buildings.

Legrand believes that it is one of the four principal manufacturers of a certain number of VDI applications (excluding cables).

#### ■ 5.2.2.5 - REGULATION AND STANDARDS

Legrand's products are subject to quality and safety controls and regulations, and are governed by both national and international standards, such as European Union directives, and product norms and standards adopted by international organizations, including the European Committee for Electrotechnical Standardization and the International Electrotechnical Commission. Changes in standards and norms are gradual and result in higher standards of security and performance, and thus increase barriers to entry for new market entrants.

## 5.2.3 - Research and development

Legrand has a long track record of developing new products and upgrading products by adding improved functionalities. Each year, on average, the Group has spent and invested (before purchase accounting charges relating to the acquisition of Legrand France and including capitalized development expenses) 4% to 5% of its net sales on research and development. In 2008,

38% of the Group's net sales were generated by products less than five years old, with net sales of those products representing approximately 31% of its net sales in Spain, 47% of its net sales in the United States, 34% of its net sales in Brazil and 54% of its net sales in France.

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## THE GROUP'S BUSINESS

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The following characteristics are a priority for Legrand's product development:

- quality, reliability and overall safety;
- simplicity, ease and speed of installation;
- integration of new technologies into its product offering;
- capacity of its product lines to work together in an integrated system;
- product functionality; and
- new designs.

Certain production facilities have dedicated research and development teams. However, a significant portion of Legrand's research and development is carried out in France, Italy, the United States and China. As of December 31, 2008, 1,849 employees in approximately 17 countries were involved in research and development, of which approximately 69% were based in France and Italy, 9% in the United States, and 9% in China, with the remainder in other countries.

### 5.2.4 - Distribution, customers and marketing

Legrand manufactures products for end-users in commercial, residential and industrial markets:

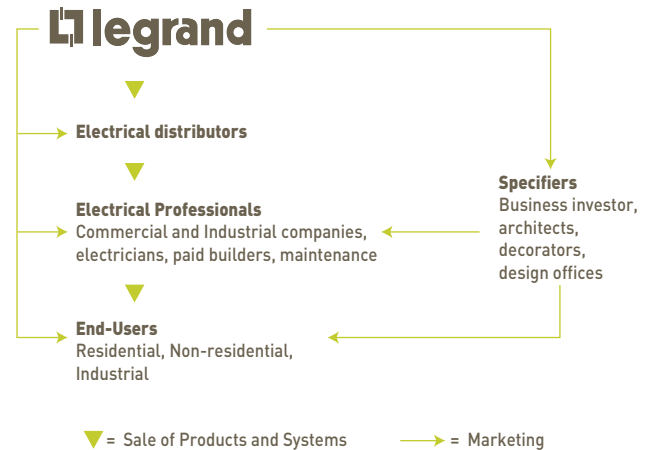
- the commercial market, which accounted for approximately 47% of the Group's consolidated net sales in 2008, consists of electrical products used in the construction and renovation of a variety of commercial buildings, such as hotels, offices and stores, and public buildings, such as schools and hospitals;
- the residential market, which accounted for approximately 42% of the Group's consolidated net sales in 2008, consists of electrical products used in the new construction and renovation of houses and apartments;
- the industrial market, which accounted for approximately 11% of the Group's consolidated net sales in 2008, consists of electrical products used in the new construction and renovation of factories, plants and other industrial sites.

In its business, Legrand distinguishes between "distributors", "electrical professionals", "specifiers" and "end-users":

- Legrand's "distributors" are electrical hardware and equipment distributors and accounted for more than 95% of the Group's consolidated net sales in 2008.
- "Electrical professionals" are the professionals or "do-it-yourselfers" who purchase, install and use Legrand's electrical products; this category of professionals includes electricians, contractors, paid builders and industrial and commercial companies with electrical products or systems installation operations.
- "Specifiers" are the architects, decorators and design offices which Legrand believes fuel demand for its products by recommending their use to end-users or by including them in certain building projects.
- "End-users" are the clients who use Legrand's products in the environment in which they are ultimately installed or used.

Legrand's relationships with its distributors are generally governed by the relevant standard terms and conditions for sales in each local market.

As described in the chart below, Legrand is part a of a distribution chain in which manufacturers, such as Legrand, mainly sell their products to electrical distributors, who in turn sell products to electrical professionals who then install the products in end-users' buildings. Specifiers play an active role in this chain by advising electrical professionals and end-users on product choice and applications.



Sales and marketing is handled by Legrand's front office, which represented 19% of the Group's worldwide employees in 2008 compared to 18% in 2007 and 17% in 2006 (see section 9.1 of this reference document). Since 2001, Legrand has opened more than 20 new sales offices or subsidiaries, principally in Eastern Europe, Asia and the Middle East, in order to increase its geographic coverage. Legrand's marketing efforts are directed at each level of the distribution chain (i.e., distributors, electrical professionals, specifiers and end-users) in what it describes



as a “push and pull” strategy (see below) aimed at providing market players with information, training and other services relating to the Group’s full range of products and systems. Legrand believes that in making it easier for its distributors, electrical professionals and end-users to access and use its products, it creates significant product and brand loyalty and builds demand for the Group’s products and systems at each level of the distribution chain.

### Selling the Group’s products to electrical distributors (“push”)

On the “push” side, Legrand maintains close relationships with its distributors by focusing on product availability and just-in-time delivery and by simplifying and accelerating ordering, stocking and dispatching of its products. This “push” side of Legrand’s strategy also involves providing customers with a catalog of nearly 170,000 items, including innovative new products. Legrand has also made it easier to access and use its catalog by providing electronic catalogs, standardizing packaging sizes and appearance and introducing innovative features such as pre-sorted deliveries.

Examples of Legrand’s “push” initiatives include:

- *priority inventories*: In France, many of Legrand’s distributors have agreed to maintain inventories of certain priority products at all times. In turn, Legrand maintains large quantities of non-priority products which, coupled with a computerized inventory control system, enables it to respond rapidly to its distributors orders. In emergencies, products that are not stocked by its distributors can be delivered within 48 hours to any location in France through “Dispo-Express,” Legrand’s own delivery service;
- *inventory management*: In the United States, Pass & Seymour, one of the Group’s US subsidiaries, receives inventory details from certain of its large distributors on a daily basis. When inventory levels drop below a pre-defined level, new inventories are prepared and shipped immediately. Pass & Seymour has also instituted an action plan to provide for the delivery of key products to its distributors in the event of a natural disaster;
- *intelligent sorting*: Before Legrand ships its products to its distributors, it pre-sorts them by anticipating the steps distributors will have to take before they in turn can distribute the products to their agencies and clients. This value-added service reduces the preparation that Legrand’s distributors must do on their own before shipping, minimizes shipping errors and decreases handling costs, giving Legrand a competitive edge which is appreciated by its customers;
- *logistics platforms*: Legrand is increasing the number of logistics platforms from which it ships its products. By reducing the distance between its products and customers, Legrand is able to improve service and significantly reduce lead time. Upon completing the installation of a logistics platform in Asia and the Middle East, Legrand intends to implement a similar platform in Eastern Europe;

- *optimizing inventories*: Based on Legrand’s internal statistical data and its knowledge of best practices in inventory management, it is currently implementing its experience-sharing program with its distributors to assist them in optimizing the management of their inventories to better respond to the needs of their own customers.

Legrand enjoys strong, long-standing commercial relationships with its distributors, particularly its two largest distributors, the electrical wholesale groups Sonepar and Rexel. In 2008, sales to Sonepar and Rexel accounted for approximately 28% of the Group’s consolidated net sales, although this percentage varied from country to country. (See chapter 2 of this reference document.) Legrand believes that no other single distributor or group represented more than 5% of its worldwide consolidated net sales in 2008. Legrand’s other main customers include FinDea, Graybar, Wesco, Home Depot and Anixter.

The pattern of distribution for electrical products and systems in most countries allows Legrand to channel products into its distributors’ centralized distribution systems and thus leverage their market presence and sales network. It also limits the logistics costs and credit risk that Legrand would incur if it were required to deal with electrical professionals and end-users directly.

### Stimulating demand among electrical professionals, specifiers and end-users (“pull”)

On the “pull” side, Legrand believes that demand for its products is, for the large part, determined by the extent to which electrical professionals, specifiers and end-users request or “pull” its products from its distributors, and a major portion of the Group’s marketing efforts is therefore directed towards developing and sustaining demand for its products by actively promoting them to electrical professionals, specifiers and end-users. Legrand focuses on providing training, technical guides and business software applications, as well as ensuring reliable and readily available product supplies.

Legrand offers training programs to electrical distributors and electrical professionals locally, including at its Innoval international training center in Limoges, France. These training programs are designed to expand installers’ expertise and services (technical training: paid builders, etc.) to Legrand’s latest electrical equipment (innovation training: energy efficiency, etc.) and new installation methods (pedagogical training). The Innoval training center offers approximately 30 separate hands-on programs in areas ranging from home automation and wiring of electrical cabinets and fiber-optic cabling to installing emergency lighting systems and regulations applicable to the electrical installation business. Between 1999 and 2008, the Innoval center welcomed more than 60,000 visitors, approximately 26,000 of whom were customers, 12,000 of whom received training.

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In addition, Legrand offers training programs on a localized basis in many countries, including Italy, Brazil and the United Kingdom. Based on the Innoval model, Legrand opened Innoval in Chile in 2006 in order to present its product offerings and to train professionals in installing Legrand products; a new training center was also opened in Dubai in February 2009.

In France, Legrand has established a series of websites for electrical professionals and specifiers, directed at separate categories of businesses, from architects to self-employed electricians. After keying in their password, users have quick, easy access to regularly updated material, including automatic section charts, catalogs, design software and order records. Legrand's other electronic catalogs include the E-catalog product database – also available on PDA – and SpecPartner, a service provided by Pass & Seymour in the United States. Legrand has established a group-wide software multimedia unit to coordinate its range of on-line guides and business software.

Legrand's business software applications include XL-Pro2 software for electrical cabinet wiring, and LabelMo software a quotation package for self-employed electricians.

In addition to pulling its products through marketing initiatives directed towards electrical professionals, Legrand also seeks to stimulate demand among end-users by actively promoting its products through specific marketing and advertising campaigns emphasizing the design and functional aspects of its products. Legrand's call centers, which provide full information on new applications, also contribute to Legrand's product promotion. For example, in France, Legrand recently reorganized its customer-relations management by creating a three-level call center which, at the first level, provides general information about its products, at the second level, provides detailed information on standard products and, at the third level, provides information on customized solutions which draw from Legrand's product portfolio.

## 5.2.5 - Suppliers and raw materials

Legrand does not depend upon any single supplier for raw materials or components used in the manufacture of its products. Legrand believes that raw materials and components essential to its operations will remain available in all of its principal markets.

In 2008, plastics accounted for approximately 32% of the raw materials used in manufacturing its products and metals accounted for approximately 52%, with the balance principally consisting of packaging materials (approximately 16%). Legrand uses over 50 types of plastics of varying grades and colors in the manufacture of its different products, with specific plastics

selected according to their physical properties and ability to meet requirements such as durability, heat and impact resistance and ease in molding and injection or bonding with other components. In 2008, on average, approximately 54% of the metal purchased was steel used in mechanisms and structures, and approximately 35% was brass and copper, used principally for their conductive properties. Legrand also purchases certain finished and semi-finished electro-mechanical and electronic components for integration into products such as video communications and sound diffusion products.

The table below sets forth the relative portion of the Group's purchases of raw materials and components as a percentage of Group sales for 2006, 2007 and 2008.

<i>(% of consolidated sales)</i>	2008	2007	2006
Raw materials	11.5%	11.6%	12.2%
Components	18.9%	18.8%	17.8%
<b>TOTAL</b>	<b>30.4%</b>	<b>30.4%</b>	<b>30.0%</b>

## 5.2.6 - Intellectual property

Legrand's brand and trademark portfolio includes more than 100 brands and trademarks of international renown (especially *Legrand* and *Bticino*), first rate local trademarks (including *Wiremold*, *Watt Stopper*, *Pass & Seymour*, *URA*, *Zucchini*, *Planet Wattohm*, *Cablofil*, *HPM*, *TCL Legrand*, *HDL* and *Arnould*) and trademarks that are specialized in certain products or systems (for example, *Ortronics* in VDI products). Legrand's trademarks are protected on the majority of the markets in which it operates. In general, Legrand only exceptionally grants licenses to its trademarks to third parties. Moreover, with the notable exception of the TCL trademark, the Group generally does not license trademarks from third parties.

The protection of Legrand's brands is based on their registration or use. Legrand's brands are registered with national, european and international agencies for variable periods (for example, 10 years in France and 20 years in the United States), subject to laws stipulating continued use as a condition to maintained protection.

Furthermore, Legrand holds 5,000 patents in nearly 80 countries, some of which relate to the filing of the same or similar patented technologies in multiple jurisdictions. Legrand's patent portfolio is diversified, with approximately 17% of patents held in France, 10% in the United States, 10% in Italy, 6% in Germany, 6% in Spain, 4% in the United Kingdom and the remaining 47% in other countries.

Legrand's patents cover approximately 1,700 different systems and technologies. In 2008, Legrand registered more than 100 new patents. The average life-span of Legrand's utility patent portfolio is approximately eight years, which corresponds to the average life-span of patents held by the Group's competitors. Legrand rarely licenses the use of its products to third parties, nor does it license use of technologies from third parties.

Given the Group's research and development efforts, Legrand does not believe that it is dependent on patents to conduct its business.

## 5.2.7 - Property, plant and equipment

Legrand seeks to optimize its manufacturing processes, improve its efficiency and reduce its production costs by increasing the level of industrial specialization within each site according to particular technologies or product families, by optimizing its choice of production sites by relocating production to low labor-cost areas, by systematically implementing a "make or buy" analysis on a Group-wide basis (Legrand foresees increasing outsourcing of production where cost savings can be achieved without compromising its intellectual property,

know-how or product quality) and by implementing "lean manufacturing" initiatives aimed at optimizing productivity and capital employed.

The Group's manufacturing plants, together with its headquarters, represent its major properties. Legrand operates over 50 manufacturing sites and complexes (including acquisitions) in more than 20 countries and employs between 200 and 500 individuals per site.

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The table below sets forth the location, size and uses of Legrand's major properties. All of them are held in fee simple, with the exception of:

- the Saint-Marcellin and the Ospedaletto (Bticino) sites, which are leased; and
- the Pyong Taek, Dongguan, Huizhou, Shenzhen, Wuxi, Eskisehir and Scarborough sites, which are rented.

At the registration date of this reference document and to the Company's knowledge, there has been no significant change with respect to the properties described below.

Site or Subsidiary	Approximate Size (thousands of m <sup>2</sup> )	Principal Use	Site Location
<b>France</b>			
Legrand Limoges	210	Headquarters/Manufacturing/Distribution/ Administrative Services/Storage	Limoges region
Legrand Normandie	78	Manufacturing/Administrative Services	Malaunay
Inovac/Planet Wattohm	43	Manufacturing/Administrative Services	Sillé-le-Guillaume, Senlis
Legrand Isère	59	Manufacturing/Administrative Services	Saint-Marcellin
Legrand Antibes	14	Manufacturing/Administrative Services	Antibes
Legrand Strasbourg	15	Manufacturing	Strasbourg
Verneuil	72	Storage	Verneuil-en-Halatte
Bagnolet	10	Manufacturing/Administrative Services	Bagnolet
<b>Italy</b>			
Bticino Italie	235	Manufacturing/Distribution/Administrative Services/Storage	Varèse, Bodio, Erba, Naples, Bergame, Tradate, Ospedaletto, Alessandria
<b>Portugal</b>			
Legrand Electrica	25	Manufacturing/Distribution/Administrative Services/Storage	Carcavelos
<b>United Kingdom</b>			
Legrand Electric	26	Manufacturing/Distribution/Administrative Services/Storage	Scarborough
<b>Spain</b>			
Legrand España	40	Manufacturing/Distribution/Administrative Services/Storage	Madrid, Barcelona
<b>Poland</b>			
Legrand Polska	44	Manufacturing/Distribution/Administrative Services/Storage	Zabkovicze
<b>Hungary</b>			
Legrand Zrt	33	Manufacturing/Distribution/Administrative Services/Storage	Szentes
<b>Germany</b>			
Legrand-Bticino	19	Manufacturing/Distribution/Administrative Services/Storage	Soest
<b>United States</b>			
Wiremold North America	39	Manufacturing/Distribution/Administrative Services/Storage	West Hartford, Philadelphia, Williamstown
Pass & Seymour	81	Manufacturing/Distribution/Administrative Services/Storage	Concord, Greensboro, Syracuse
<b>Mexico</b>			
Bticino de Mexico	44	Manufacturing/Distribution/Administrative Services/Storage	Queretaro

Site or Subsidiary	Approximate Size (thousands of m <sup>2</sup> )	Principal Use	Site Location
<b>Brazil</b>			
Legrand Brasil, Cemar	74	Manufacturing/Distribution/Administrative Services/Storage	Campo Largo, Caxias do Sul
<b>China</b>			
Rocom, Legrand Beijing, TCL, Shidean, Wuxi	140	Manufacturing/Distribution/Administrative Services/Storage	Dongguan, Beijing, Huizhou, Shenzhen, Wuxi
<b>Russia</b>			
Kontaktor	88	Manufacturing/Distribution/Administrative Services/Storage	Ulyanovsk
<b>Australia</b>			
HPM	47	Manufacturing/Distribution/Administrative Services/Storage	Sydney, Melbourne
<b>South Korea</b>			
Anam Legrand	36	Manufacturing/Distribution/Administrative Services/Storage	Pyong Taek
<b>India</b>			
Legrand India	13	Manufacturing/Distribution/Administrative Services/Storage	Jalgaon, Nashik, Sinnar
<b>Netherlands</b>			
Legrand Nederland	16	Manufacturing/Administrative Services/Storage	Boxtel
<b>Turkey</b>			
Legrand Elektrik, Estap	35	Manufacturing/Storage	Gebze, Eskisehir

## 5.2.8 - Insurance

Within the context of its risk and insurance management policy, which is centralized at Group headquarters, Legrand has taken out global insurance programs through insurance brokers to cover its major risks.

Legrand believes that these insurance programs (which cover all of the Group's subsidiaries) provide adequate coverage for the principal risks faced by the Group. These insurance programs are contracted from leading insurance companies without recourse to a captive reinsurance structure. They provide global coverage for the Group under umbrella policies that take into account the risks and activities related to the Group's operations, including property damage and the resulting operating losses, D&O (Directors' and Officers') liability, and product liability.

Legrand intends to continue its practice of maintaining global insurance programs where practicable, increasing coverage where necessary and reducing insurance costs through risk protection and prevention and through self-insurance (adapted deductibles).

In the context of a relatively stable insurance market, levels of coverage set up in 2008 remained unchanged in respect of the previous financial year.

### ■ CIVIL AND ENVIRONMENTAL LIABILITY

The Group's main insurance plans relate to civil liability before and after product delivery, as well as environmental claims and cover (subject to customary deductibles, exclusions and limits) physical injuries, property damage and consequential loss, removal/reinstallation expenses, product recall expenses, damage to property of others, and decontamination expenses. The limit on this civil liability and environmental coverage is €60 million per claim, while the limit on coverage for civil liability relating to products after delivery is €90 million per claim per year.

These insurance programs consist of a master insurance policy set up in France and local policies in the countries where the Group operates.



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### ■ PROPERTY DAMAGE/OPERATING LOSS INSURANCE

The property damage/operating loss insurance policy covers (subject to customary deductibles, exclusions and limits) direct property damage that could affect the various sites, which have all been previously appraised to determine their insured value, as well as the operating losses resulting from any event of a sudden and accidental origin (such as fire, storm, explosion, electrical damage, water damage, etc.). This insurance program also includes a master insurance policy set up in France and local policies in the countries where the Group is present.

The plan offers a contractual global maximum indemnity per event (combining direct property damage/operating losses) of €500 million with additional limitations for certain acts of God or certain specific guarantees such as machine breakage and IT and electrical risks.



# 6

## SUSTAINABLE DEVELOPMENT

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## SUSTAINABLE DEVELOPMENT

Legrand shares included in sustainable development market indexes

### 6.1 - COMMITMENT TO SUSTAINABLE DEVELOPMENT

Legrand's sustainable development policy is founded on four fundamental values presented and defined in the Legrand Group's Charter of Fundamental Principles: ethics of behavior, customer awareness, resource enhancement and innovation. It is implemented by a sustainable development unit, drawing on the expertise and know-how of staff throughout the Group.

It comprises:

- *an economic policy.* Legrand aims to ensure growth that is at once profitable, lasting and responsible, meeting the needs of distributors, electrical professionals, specifiers and end users as well as those of employees and shareholders as regards economic strategy;
- *a social policy.* Counting nearly 35,000 employees around the world and with sales and production units in over 70 countries, Legrand pursues its business development with particular attention to employee working conditions and its responsibility as an employer and a member of society at large. Legrand's human-resource and employee-relations policies are structured around four priorities:
  - developing competencies and employee career paths,
  - combating all forms of discrimination,
  - promoting an active policy of risk prevention and safety, and,
  - respect for human rights;

- *an environmental policy.* Legrand considers protection of the environment a fundamental concern for all its businesses, at every stage from product design, purchasing and production to sales. Its prime levers for action in this area involve:

- integrating environmental management into manufacturing facilities,
- factoring the environment into the product-design process to reduce product impact, and supplying Legrand's customers with all relevant product information,
- offering solutions enabling customers to design environment-friendly installations. Innovations in this area include new solutions to reduce energy consumption (lighting and heating management, shutter monitoring) and to provide protection against electrical risks,
- factoring the environment into the organization of logistics and purchasing.

These defining directions for the Group's sustainable development policies take concrete form in varied priorities and action. Monitoring of progress and assessment of action taken are consolidated through the use of indicators, most of which are based on the recommendations of the Global Reporting Initiative, which provides a framework for business reporting in connection with sustainable development.

### 6.2 - LEGRAND SHARES INCLUDED IN SUSTAINABLE DEVELOPMENT MARKET INDEXES

In 2007, Legrand became a component stock of the FTSE4Good index. Developed by the London Stock Exchange and the Financial Times, and managed by the UK rating agency EIRIS (Ethical Investment Research Services), this index is made up of stocks representing listed companies considered ethical and responsible on the basis of social and environmental criteria. The FTSE4Good index series are thus tools for investment in companies meeting internationally recognized standards of social and environmental responsibilities, in particular positive relationships with all stakeholders, the promotion of and respect for human rights, and protection of the environment over the long term.

In early 2009, Legrand shares were also included in the ASPI (Advanced Sustainable Performance Indices) Eurozone, made up of 120 components of the Dow Jones EURO-STOXX index with the best performances in terms of sustainability criteria.

After analyzing the Group's approach to sustainable development, Switzerland's SAM (Sustainable Asset Management Indexes GmbH) opted to include Legrand in its annual ranking of top-performing companies in the field, published in a report entitled "The Sustainability Yearbook 2009". This makes Legrand one of seven worldwide businesses in the "Electrical Components and Equipment" category.



## 6.3 - LEGRAND'S MEMBERSHIP OF THE UN GLOBAL COMPACT

### 6.3.1 - Confirmation of the Group's commitment to the Global Compact

*"The Legrand Group stands by its commitment to the ten Global Compact principles.*

*Since we joined the Global Compact in 2006, we have made consistent efforts, within our sphere of influence, to favor progress in areas relating to human rights, working standards, protection of the environment and the fight against corruption. In perfect accord with our Group's Charter of Fundamental Principles, these principles are incorporated into our strategy through our sustainable development processes.*

*This results in a model for business development founded on social, societal and environmental values, which we actively promote in all our subsidiaries and in relationships with our stakeholders in all parts of the world.*

*In the interest of transparency and continuing progress, we are thus including in this reference document a progress report on the Legrand Group's project."*

Gilles Schnepf  
Chairman and Chief Executive Officer, Legrand Group

### 6.3.2 - Global Compact principles and corresponding sections of this reference document

Global Compact principle	Commitment and progress
1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and	6.5.3 Accident prevention and safety 6.5.4.2 Relationships with suppliers
2. Make sure that their own companies are not complicit in violations of Human Rights.	6.5.2 Combating discrimination and favoring diversity 6.5.4.1 Ethics
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	
4. The elimination of all forms of forced or compulsory work;	6.5.4.1 Ethics
5. The effective abolition of child labor;	
6. The elimination of discrimination in respect of employment and occupation.	6.5.2 Combating discrimination and favoring diversity
7. Businesses should support a precautionary approach to environmental challenges;	
8. Undertake initiatives that tend to promote greater responsibility with respect to the environment and	6.4.1 Environmental management of industrial sites 6.4.2 Factoring environmental concerns into products 6.4.3 Logistics and purchasing organization attuned to environmental standards and people's needs
9. Encourage the development and diffusion of environment-friendly technologies.	
10. Businesses should work against corruption in all its forms, including extortion and bribery.	6.5.4.1 Ethics



## SUSTAINABLE DEVELOPMENT

Environmental commitment – policies and results in 2008

### 6.4 - ENVIRONMENTAL COMMITMENT – POLICIES AND RESULTS IN 2008

On its production sites as in its products, Legrand favors materials and processes that are compatible with the well-being of people and their environment. Through this approach, the Group reduces the impact of its operations on the ecosystem, while at the same time enhancing business performance and the appeal of its offerings.

Environmental managers are appointed at each subsidiary, charged with carrying out environmental audits and then defining appropriate action plans, with the Group's sustainable development unit coordinating.

Staff participation in this commitment to the environment is also backed by cross-functional projects such as:

- "Legrand Climact", aimed at the reduction of greenhouse gas emissions resulting from the Group's operations through action in three areas: control of energy consumption, eco-design, and optimization of the transport of goods and people;
- "Let's Go Green!", an environmental program with the participation of all Legrand North America employees. In full accordance with the environmental policies pursued within the Group (site management, product design, logistics, etc.), we also market products that help to reduce energy wastage in buildings, as illustrated in particular by Watt Stopper's offering of lighting controls.

#### 6.4.1 - Environmental management of industrial sites

##### 6.4.1.1 - RISK PREVENTION AND CONTINUING ENHANCEMENT OF ENVIRONMENTAL PERFORMANCE

The control and prevention of environmental risks are priorities for Legrand.

A first operational step in this direction is a detailed assessment of environmental risk on each Group site, seeing that it operates in full compliance with applicable rules and mapping all potential industrial threats to the environment.

Where necessary, corrective action is taken and site management can draw on the support and know-how of the Group's environment team for this purpose.

Following this, the environmental management of production and distribution sites is the subject of an evaluation serving as the basis for an action plan for continuing improvement, a process generally leading up to certification under ISO 14001.

For a good number of years, the Group has progressed significantly beyond what is strictly required under applicable regulations. By 2008, 81% of its industrial sites had ISO 14001 certification. Five new sites were certified during the year, making a total increase of over 11% that testifies to the quality of the Group's environmental management.

##### 6.4.1.2 - EMPLOYEE TRAINING

Each Group entity or region also conducts programs to raise employee awareness of environmental issues, aiming for the appropriation of Group principles for sustainable development. Nearly 22,500 hours of training and awareness programs were thus devoted to the environment in 2008. These concerned all parts of the Group, as illustrated by the following examples.

- in Brazil, programs totaling 2,500 hours concerned all employees, with a main focus the deployment of the environmental charter in accordance with three priorities: integration of environmental management on industrial sites, consideration for the environment in product design, and solutions to help customers reduce energy consumption;
- under the "Let's Go Green!" project in the US, employees attended training programs to help them better understand their own role and their impact on the environment, thus encouraging them to change their behavior both on and off the job. Examples include making less use of printers and replacing travel with conference calls or videoconferences wherever possible. More targeted training concerned risk control, waste recovery and reduction of energy consumption. The "Let's Go Green!" project thus seeks to achieve overall progress through the daily efforts of all individuals;
- special training programs were dedicated to ecological product design, as at the Sillé-le-Guillaume site west of Paris, where sessions totaled over 700 hours. This provided team members in marketing, engineering, production planning, purchasing and quality with the tools needed to integrate eco-design into product development.

### ■ 6.4.1.3 - CONTROL OF ENERGY CONSUMPTION ON INDUSTRIAL SITES

The Group is reducing its energy consumption while contributing to the improvement of its industrial performance through profitable investments. Employee awareness measures, together with the implementation of lighting management solutions, allow sites to save substantial energy. From 2006, the Legrand Climact project resulted in a 6.4% reduction at constant scope, saving 14,774 metric tons of CO<sub>2</sub> equivalent.

Now applied throughout the Group, Kaizen (lean manufacturing) management techniques favor employee participation in ongoing

improvement in processes at each stage in business operation, and at all levels of responsibility. Illustrating this, a Kaizen program for energy consumption was launched in China in 2008, with measures including improved insulation, optimized utilization of machinery and more efficient lighting controls saving 600,000 kWh or 6% of the site's annual consumption.

In the US, electricity consumption was reduced by 5.8 million kWh from 2007 to 2008 through action targeting insulation, lighting controls, re-engineering of water cooling circuits on paint lines and molding machines, installation of heating adaptable to seasons, and improvements to recycling programs.

## 6.4.2 - Factoring environmental concerns into products

### ■ 6.4.2.1 - REGULATORY COMPLIANCE

Legrand's objective is to comply in all material respects with environmental and pollution control laws applicable to the Group. The Group easily meets the requirements of the EU Directives concerning Restriction of Hazardous Substances (RoHS) and Waste Electrical and Electronic Equipment (WEEE). Since July 2006, the EU's Restriction of Hazardous Substances (RoHS) in electrical and electronic equipment Directive has prohibited the use of substances such as lead for certain electrical and electronic equipment. The Group had anticipated the elimination of all substances referred to in the Directive as early as in 2004, including in equipment outside of the scope of the Directive, and aims to extend its application to all Group products sold in Europe.

Legrand is also involved in collecting and recycling end-of-life equipment. In each EU country, the Group implements solutions that meet both customers' expectations and the requirements of the WEEE Directive.

The Group has also acted on the EU's REACH (Registration, Evaluation and Authorization of Chemicals) regulation, aimed at improved reconnaissance of substances produced in or imported into Europe and the use made of them, allowing for the introduction of authorization requirements or restrictions where necessary.

Legrand has thus set up a REACH project with a Europe-wide network of in-house correspondents headed by a project manager.

To date, this has enabled Legrand to:

- initiate systematic consultations with suppliers to obtain assurances that it does not use any substances not complying with REACH;
- respond to market queries, in all parts of Europe and for all Group brands, as the project moves forward.

Legrand has also played an active role in industry initiatives to share good practices, participating in particular in the production of a memo entitled "REACH – Articles: upstream and downstream information requirements" with a special focus on electrical equipment.

### ■ 6.4.2.2 - ECO-DESIGN

Since 2001, Legrand has worked to make broader allowance for environmental concerns in product development, applying a policy of eco-design with eleven parameters including total energy consumption, impact on greenhouse effects and selection of materials.

All stages in the product life cycle are taken into account: production (materials, components, processes); distribution (transport and packaging); use (maintenance and energy consumption); and end-of-life processing (recovery/recycling).

To factor the environment into products from the design stage, Legrand uses EIME (Environmental Impact and Management Explorer) software, based on the Product Life Cycle Assessment as described by the ISO 14040 series of standards.

Illustrating the results, the application of eco-design to the new Altis range of electrical cabinets has reduced use of natural resources by 60%, energy consumption by 32%, and greenhouse gas emissions by 25%.

Another example is the Slide Connect™ G2 emergency lighting system, winner of a Prize for Excellence in sustainable development at Australia's International Design Awards. Yielding excellent lighting quality, this is the first product of its kind operating with a single, high brightness LED (HB-LED). Designed and produced in Australia, this autonomous emergency lighting unit uses up to 70% less power than a conventional fluorescent lamp product.

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## SUSTAINABLE DEVELOPMENT

Environmental commitment – policies and results in 2008

Emphasis on power savings concerns every stage in the product life cell and Legrand has thus applied eco-design principles to all major development projects since June 2007.

### ■ 6.4.2.3 - ENERGY-EFFICIENT PRODUCTS

Buildings account for 40% of total energy consumption worldwide. Legrand is seeing strong growth in demand on all its markets for products and solutions that help customers reduce power consumption and environmental impact, and improve the quality of electricity.

Legrand aims to ensure the sustainability of customer offerings through action of three kinds.

#### ■ designing solutions for energy savings

This is illustrated in particular by US subsidiary Watt Stopper, a pace setter in energy efficiency and lighting controls for commercial and residential application. To take just one example, Watt Stopper's presence detectors allow substantial power savings, reaching up to 52% in some applications (Sources: D. Maniccia, A. Bierman, A. Tweed, B. Von Neida, JIES 2001). In France, another Legrand subsidiary, Alpes Technologies, designs, produces and markets power capacitors for industrial and commercial buildings. These ensure compensation of reactive energy, while reducing energy consumption: apparent energy required for an installation is reduced by nearly 20% and active energy loss in cables is decreased by nearly 3%.

#### ■ transparent environmental communications

Legrand aims to promote responsible use of electrical power among its customers.

This is in particular the goal of a communications campaign under the banner "1+1+1+1 = less" launched in 2008. A shared logo highlights energy savings available with Legrand solutions

Moreover, Legrand provides customers with detailed environmental profiles of its products (PEP - *Product Environmental Profile*), describing features that play a decisive role in the decisions of players involved in processes for environmental quality in buildings (green building). By the same token, they reinforce the positions of Legrand products on world markets.

The same approach is reflected in the content of dedicated websites, identifying key environmental and sustainability issues for the market together with the responses available with Legrand products and solutions.

Legrand also organizes training and information seminars clarifying environmental and energy regulations as well as green-building issues. Watt Stopper takes this one step further with free on-line training.

#### ■ participation in Green Building initiatives

Legrand has been a member of the Green Building Council in the US since 2004 and in the United Arab Emirates since 2007. The Council promotes efficient, eco-friendly building design attuned to human needs. Legrand North America has provided financial support and input based on its specialized expertise to the Green Building Council.

## 6.4.3 - Logistics and purchasing structures that respect environmental standards and people's needs

### ■ 6.4.3.1 - LOGISTICS

Legrand is committed to optimizing the product flows necessary for its business, and applies a variety of levers for this purpose.

A first priority is to locate production sites and warehouses close to each other wherever possible, thus reducing the distances goods and components need to be transported. This is part of the environmental considerations factored into total cost analysis,

now the general rule ahead of production launches. Action taken in 2008 included:

- the transfer of the production of a cable trunking range from France to Russia, its main market, reducing deliveries between the two countries by 30%;
- relocation of a distribution center in Chile to reduce distances traveled for supplies to stores;
- relocation of production in Brazil to make this closer to the distribution center and thus reducing distances traveled.

A second direction for improvement concerns transport options and organization of logistic flows. Action taken in 2008 included:

- use of combined rail and road transport for deliveries from France to the Greek subsidiary;
- transfer of some deliveries in the US from road to rail (200 containers a year);
- outsourcing of distribution in the UK, optimizing vehicle use and reducing empty runs.

Other initiatives concern in particular relations with suppliers and providers of logistic services. In 2008, specifications for transport services in France were revised to include references to Legrand's environmental commitments, stipulating that approval of providers and assessments of their performances will take into account their contributions to meeting these commitments. Six providers of transport services, together accounting for 30% of distribution costs in France, have signed the charter for voluntary commitments to reduction of CO<sub>2</sub> emissions.

### ■ 6.4.3.2 - RELATIONSHIPS WITH SUPPLIERS

Legrand applies the same social and environmental standards to other partners, sub-contractors and suppliers of raw materials and components as it does to transport service providers. Specifications for strategic suppliers have been revised with this in mind and have been contractually agreed to by over 400 suppliers accounting for over half of Legrand's purchases.

Global Compact membership is one of the criteria applied to the assessment of suppliers, and this condition is now met by suppliers accounting for 55% of the total value of purchasing. Legrand will be continuing efforts to promote commitment in this area.

The Group's purchasing teams are actively involved in these processes and the training available to them at different levels also covers environmental, ethical and cultural issues. An example of the efforts made to raise awareness of sustainable development is the participation of Hubert Reeves in a purchasing seminar in 2008.

## 6.4.4 - Summary of indicators and targets

### Environmental indicators - Industrial sites

The table below sets out the main environmental indicators monitored by the Group. Data below are for the current scope of consolidation.

	2006	2007 <sup>(1)</sup>	2008	2010 target
ISO 14001 certified sites (%)	72%	73%	81%	Rate held above 70%
Waste produced (metric tons)	44	52	54	
% of waste reclaimed	78%	83%	84%	Rate held above 80%
Energy consumption (MWh)	543,436	527,861	543,219	Legrand Climact: Reduce emissions by 10% from 2006 (at constant scope)
Energy consumption measured by CO <sub>2</sub> emissions, metric tons of CO <sub>2</sub> equivalent	216	210	216	
Water consumption (m <sup>3</sup> )	1,481,246	1,677,063	1,477,814	
Environment training and awareness campaigns (hours)	16,322	17,516	22,547	
Environmental liaison staff (number of people)	62	67	68	
Emission of volatile organic compounds (metric tons)	83	43	51 <sup>(2)</sup>	Reduce by 20% from 2006

(1) Includes 8 additional production sites compared with 2006.

(2) 38% decline from 2006.



## SUSTAINABLE DEVELOPMENT

Environmental commitment – policies and results in 2008

### Environmental indicators - Products

	2006	2007	2008	2010 target
R&D centers applying eco-design principles, % of Group total	15% Group 25% France, Italy and USA	57% Group 38% France, Italy and USA	63% Group 59% France, Italy and USA	60% Group and 100% for France, Italy and USA
% of total sales from eco-designed products	-	1.5% of Group sales	3.2% of Group sales	-
Contribution of products covered by environmental profiles to sales in France, Italy and the United States	3% of sales in France, Italy and USA 7.5% of Legrand brand France	7.5% of sales in France, Italy and USA 17% of sales under Legrand brand France	9% of sales in France, Italy and USA 20% of sales under Legrand brand France	50% in France, Italy and USA

### Indicators - Legrand climact project

Reductions in CO<sub>2</sub> emissions are summarized in the table below.

Area	Action	Results in metric tons of CO <sub>2</sub> equivalent (teq CO <sub>2</sub> )*
Transport of finished goods	Proximity of production to sales-area warehouses; optimization of transport and logistic flows	- Savings of 1,550 teq CO <sub>2</sub> in 2008 (from 2007) or around 2% of total CO <sub>2</sub> emissions for Group transport operations in 2008
Eco-design policies	Eco-design of product ranges	- Savings of 5,850 teq CO <sub>2</sub> in 2008
	New packaging	- Savings of 22 teq CO <sub>2</sub> in 2008
Energy savings on sites**	Reduction of electricity consumption (excluding heating)	- Savings of 7,516 teq CO <sub>2</sub> i.e. a 8% reduction from 2006 to 2008
	Reduction of energy consumption for heating	- Savings of 7,258 teq CO <sub>2</sub> i.e. a 5% reduction from 2006 to 2008

\* The savings expressed in metric tons of CO<sub>2</sub> equivalent relating to transport of finished goods have been calculated in accordance with the Bilan Carbone method developed by French energy agency ADEME. The savings expressed in metric tons of CO<sub>2</sub> equivalent relating to eco-design and energy savings on sites have been calculated with EIME (Environmental Impact and Management Explorer) software.

\*\* From 2006 to 2008, the program thus led to savings, measured at constant scope of consolidation, totaling 14,774 teq CO<sub>2</sub> representing a reduction of 6.4% over the period. Our target for 2010 is a 10% reduction from 2006 in CO<sub>2</sub> emissions due to energy consumption at our industrial sites.

Legrand is also working to reduce energy wastage in buildings by offering lighting controls that cut consumption to the strictly necessary.

In 2008, over two million presence detectors were sold for use in commercial buildings in the US. Compared with conventional lighting controls, that represents savings of:

- 208,000 metric tons of CO<sub>2</sub>;
- 319 million kWh;
- \$32 million in electricity bills.

More broadly, energy-efficiency products accounted for 5.7% of Legrand's sales revenues in 2008, showing a rise of 10% at constant scope of consolidation and exchange rates.

## 6.5 - SOCIAL COMMITMENTS AND COMMUNITY INVOLVEMENT – POLICIES AND RESULTS IN 2008

Counting nearly 35,000 employees around the world and with sales and production units in over 70 countries, Legrand pursues its business development with particular attention to employee

working conditions and its responsibility as an employer and a member of society at large.

### 6.5.1 - Reinforcing Management of competencies and favoring mobility

The Group's Staffing and Organization Reviews were extended to additional subsidiaries in 2008, with the total concerned reaching 31. This process is designed to identify talents, consider potential for the future organization, and, through staffing reviews, prepare for succession within the Group. It has been put on a systematic basis through the commitment of training for Human Resources staff as well as managers.

Career management is also backed by other processes including annual interviews that help managers build teams and guide performances.

Career path interviews have been put on a systematic basis to plan ahead more effectively. Identifying the competencies available to meet the Group's future needs, these also give individuals an opportunity to express their personal aspirations and consider possibilities for career development.

All these structures require greater professionalization of the various parties concerned, who benefit from targeted training for this purpose (e-learning programs dedicated to the conduct of annual interviews, a "recruitment, development and loyalty building" program for managers, etc.). They aim to contribute to

the development and employability of individual staff members, and at the same time win their loyalty.

Legrand considers staff mobility critical to business efficiency and responsiveness. Dedicated mobility platforms ensure group-wide management of executive talent in key positions within the framework of proactive career development policies. Posting of vacancies on the Dialeq intranet also accelerates geographical and professional mobility within the Group.

Management of professional mobility is also backed by software for prospective management of staffing and competencies, and by analysis of emerging trends in different professions, the aim being to match resources and business structures.

To back these Human Resources development processes, Legrand has equipped subsidiaries with its dedicated Talents management software, shared by all its Human Resources teams and managers. The package won the 2008 intranet prize awarded by *Entreprises & Carrières magazine*, the Cegos consultancy and lesechos.fr, the online news service, for its "usefulness, effectiveness, profitability and innovative character."

### 6.5.2 - Combating discrimination and favoring diversity

#### 6.5.2.1 - THE GROUP'S COMMITMENT

The Legrand Group is determined to combating all forms of discrimination within its business entities and in its human resource processes, and all Group entities participate in this, each in accordance with its specific positions.

In the US, the statistics available allow precise tracking of the balance between different ethnic groups, while in South Africa, Legrand obtained Black Economic Empowerment certification in 2008, testifying to the effective consideration shown for historically disadvantaged groups in its Human Resources management processes.

Allowance for diversity is backed by initiatives to raise awareness within the business. Examples include training programs such as

the Managing Inclusion training program for managers in the US, our Group-wide Tremplin international management-training program, and postings on intranet sites and in in-house journals. Particular emphasis is placed on the professional equality of men and women.

#### 6.5.2.2 - INTEGRATION OF THE DISABLED PERSONS

Integration of the disabled is an other essential part of the Legrand Group's commitment.

It is thus a core component of human resource policies in France, where the first agreement for the employment of the disabled was signed in Legrand's home region around Limoges in 1993, followed by a nationwide agreement in 2006. This is being

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## SUSTAINABLE DEVELOPMENT

Social commitments and community involvement

renewed in 2009, and provides a basis for increased awareness at French sites and action that includes:

- recruitment of disabled workers backed by consultations with official organizations and associations;
- partnerships with protected work sites;
- preservation of employment for the disabled through workplace adaptation and accessibility, and through targeted training.

In its own products, Legrand factors accessibility into design and offers new functionalities that offer greater comfort for all users and make life easier for people with disabilities. This approach favors synergies between Legrand products and partnerships

with support groups and associations provided for in the Group agreement on integration and prevention.

Our Group's continuing action reflects a long-term commitment, well illustrated by work conducted since 1987 by our Italian subsidiary BTicino to favor employing young people with psychophysiological disabilities. Under an agreement with the Province of Varese's training center, BTicino has set up a special workshop that has so far enabled 300 young people to benefit from two-year apprenticeship programs. Each apprentice is assigned a specially adapted workplace and has the support of a personal tutor over the two years.

### 6.5.3 - Accident prevention and safety

Legrand's safety policies, set out in a Prevention Charter in June 2004, are making continued progress with initiatives targeting three basic priorities: full compliance with all national rules and laws, integration of safety and environmental priorities in industrial planning, and harmonization of prevention strategies across the Group.

A major example is the Esculape project launched in 2005, which involves the deployment by stages throughout the Group of a safety management system based on the International Labor Organization's Guidelines on Occupational Health and Safety Management Systems (ILO-OSH 2001). This has already made for some significant progress:

- **ensuring regulatory compliance.** Group resources also include SecuRisk software currently used to assess regulatory compliance in France and Italy, and set for Group-wide deployment over time. It is backed up by monitoring of new developments in regulations and case law, allowing regular updates of audit terms of reference;
- **making safety an integral part of production processes.** As the Esculape project progresses, authority is delegated to provide a clear framework for the responsibilities of managers of each Group entity notably as regards occupational risk prevention. At all levels, job descriptions are designed to ensure that occupational health and safety are recognized as a responsibility for all employees, whatever their rank and position. The Group's Purchasing specifications have been amended to factor in Legrand's sustainability principles, in particular to prevent the introduction of additional substances classified as CMR (Carcinogenic, Mutagenic, Reprotoxic) into production processes;

- **taking a harmonized approach to prevention strategies.**

Our human resource information systems now include specifications that define the responsibilities associated with each position, easing the overall management of personal safety certification in related areas. Shared databases also allow consolidation of information to promote best practices throughout the Group.

Progress in 2008 centered on three areas:

- **health at work.** A new Group directive on health at work reinforces monitoring of employee health with a requirement, where this is not contrary to local law, for paramedical interviews on recruitment and then at regular intervals. This is tracked with a Group-wide indicator representing the percentage of the total workforce having attended a paramedical interview in the previous five years;
- **health and safety committees.** Another Group directive provides for the establishment of health and safety committees in all countries including those that have no related legal requirement. This provides a clearly defined framework for active employee participation, setting requirements for members and commitment of resources (training, site visits, meetings with management, etc.);
- **prevention of stress at work.** Group action to counter risks of workplace stress center on:



- identification of appropriate indicators in cooperation with workplace health specialists,
  - training to raise awareness of issues among managers and helping them to identify individual problems within the scope of their responsibilities,
  - creation of *ad hoc* working groups in high-risk situations. These multi-disciplinary groups work with all concerned to identify problems and define agreed solutions;
  - **machinery and equipment.** A Group directive has been issued to help prevent accidents due to machinery and equipment. This requires purchasing contracts to include provisions ensuring the compliance of new machinery with applicable law and systematic inspection for compliance whenever equipment is transferred, even within the Group. It also sets out rules for proper maintenance of equipment in use, including regular inspection of safety devices.
- Other initiatives illustrating the Group's safety policies at work include:
- in Brazil, safety discussion groups were organized at the Campo Largo site to raise employee awareness with a view to reducing the frequency and severity of accidents and enhancing overall quality of life on the job. The site also organized a show with professional gymnasts to drive the message home;
  - in the US, safety audits conducted by safety committee members and managers were put on a weekly basis at one site, contributing to the development of a formal plan for continued progress. Weekly visits by a doctor and a physical therapist help to reinforce prevention and ensure thorough analysis of each accident;
  - in Italy, the surface-treatment workshop at the Varese factory underwent a complete overhaul, applying technical solutions that ensure full compliance with all security and health regulations and significantly reduce risks for employees in this area of operation. At the nearby Bodio plant, the paints used for switch plates are being changed from chemical solvents to water-based products by stages, with the process now over 70% complete;
  - in China, new recruits at the Huizhou factory received 10 hours of safety training focused on specific risks at the site and the protective equipment available to them. In addition to this program, designed to enhance employee awareness of safety issues, the site's safety teams conduct inspections each month and in the lead-up to main holiday periods. There are also unscheduled inspections to ensure consistent application of safety rules;
  - in France, the Wiring Devices and Home Systems division has launched a program on all its sites to enhance workplace ergonomics and ensure that employees have the physical capacities necessary for their jobs.

## 6.5.4 - Defending Human Rights and controlling local impact

### ■ 6.5.4.1 - ETHICS

Continuing our common commitment to four core values – ethics of behavior, customer awareness, resource enhancement and innovation – our Charter of Fundamental Principles sets out the rules of behavior and business conduct all Legrand entities and employees must abide by. This Charter can be downloaded at [www.legrandelectic.com](http://www.legrandelectic.com)

It places special emphasis on the honesty and transparency required of staff members, particularly in commercial relations. Targeted training programs spell out the message for those in the most sensitive positions.

Labor rights are clearly stated, with the strict prohibition of and fight against all forms of forced labor and child labor within the Group extended to all suppliers. The Group's internal audit department monitors all entities for compliance with the Charter, which also provides for whistle-blowing procedures open to all employees.

### ■ 6.5.4.2 - SUPPLIER RELATIONSHIPS

Just as Legrand sets out environmental requirements, suppliers are required to meet its standards for employment conditions, health and safety (see section 6.4.3.2 of this reference document).

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## SUSTAINABLE DEVELOPMENT

Social commitments and community involvement

### 6.5.4.3 - SUPPORT FOR THE LESS FAVORED - SPONSORSHIP

Under a partnership agreement with the association *Électriciens Sans Frontières* (Electricians without Borders) Legrand contributes financing and equipment for eight projects in Argentina, Laos, Haiti, Madagascar, Togo, the Democratic Republic of Congo, Burkina Faso and Mauritania.

Sponsorship initiatives, left up to individual subsidiaries to define, focus on humanitarian assistance and education.

To take just a few examples:

- Brazil has been particularly active in support of education for underprivileged children, while in India Legrand meets part of the financing needs of the Mobile Crèches association, dedicated to the health and education of children whose parents are away working and living on construction sites;
- Colombia: two associations have benefited from Legrand's financial assistance: Fundea, helping pregnant teenagers, and Cardioinfantil, which provides for treatment of children with heart diseases whose parents lack the necessary resources.

## 6.5.5 - Summary of indicators and targets

The tables below summarize main indicators for breakdowns of Group workforces.

### Worldwide – by age

Women under 26	Men under 26	Women aged 26 to 35	Men aged 26 to 35	Women aged 36 to 45	Men aged 36 to 45	Women aged 46 to 55	Men aged 46 to 55	Women over 56	Men over 56
7%	7%	12%	18%	9%	19%	9%	12%	3%	4%

### Worldwide – by seniority

Up to 5 years, women	Up to 5 years, men	6 to 15 years, women	6 to 15 years, men	16 to 25 years, women	16 to 25 years, men	26 to 35 years, women	26 to 35 years, men	Over 36 years, women	Over 36 years, men
17%	23%	12%	19%	5%	11%	4%	5%	2%	2%

Average age 38; 33 in developing countries.

### Worldwide – by status

	Non-managers	Managers
Women	42.6%	24.2%
Men	57.4%	75.8%

### Worldwide – % of workers with disabilities:

- 2.2%.

NB: The disability must have been recognized by a competent local body.

## Recruitment in 2008

Women	Men
52.7%	47.3%

## Main health and safety indicators

	2006	2007	2008	2010 target
<b>Risk assessment:</b> % of Group workforce within the scope of formal risk assessments	71%	77%	88%	Rate held above 80%
<b>Risk control:</b> % of Group workforce within the scope of consolidated risk indicators	91%	91%	93%	Over 95%
<b>Health and Safety Committees:</b> % of Group workforce represented by a Committee	82%	86%	86%	Rate held above 85%
<b>Frequency of workplace accidents leading to absence</b> (Number of accidents x 1,000,000)/(Number of hours worked)	12.08	13.81	8.95	-
<b>Severity of workplace accidents</b> (Number of days absence x 1,000)/(Number of hours worked)	0.25	0.22	0.24	-
<b>Frequency of accidents suffered by sub-contractors</b> (Number of accidents suffered by sub-contractors on a Legrand site x 1,000)/(Number of employees on the Legrand site concerned)	-	-	2.36	-
<b>Workplace health</b> (employees having had a medical checkup or paramedical interviews over the past 5 years)	-	-	80%	-

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## 7

# MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2008

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## 7.1 - PRELIMINARY DISCLAIMER

This summary of selected financial data of the Company should be read together with the consolidated financial statements and their related notes shown in chapter 11 of this reference document. Financial statements of the Company have been prepared in accordance with IFRS as adopted by the European Union. The following information includes forward-looking

statements based on estimates relating to the future activity of Legrand and which may differ materially from actual results.

All percentages may be calculated on non-rounded figures and therefore may vary from percentages calculated on rounded figures.

## 7.2 - OVERVIEW

Legrand is the global specialist in products and systems for electrical installations and information networks where people live and work. The Group develops, manufactures and markets a complete range of control and command, cable management, energy distribution and Voice, Data and Image ("VDI") products. Legrand markets its products under internationally known brand names, in particular *Legrand* and *Bticino*, as well as well-known specialized and local brands. Legrand has commercial and industrial establishments in more than 70 countries and sells a wide range of products, comprising almost 170,000 catalog items, in almost 180 countries. In 2008, Legrand had consolidated net sales of €4,202.4 million, and 76% of net sales were generated outside France. It has also considerably strengthened its presence in the Rest of the World and Rest of Europe zones in the past few years.

In the first half of 2008, Legrand made four acquisitions, financed out of cash flow, with all targets benefiting from very strong positions on their markets: These were:

- PW Industries, acquired in February, a US firm specialized in ceiling cable-tray systems for commercial and industrial applications. This strengthens the existing positions of Legrand, the uncontested leader for cable management on the US and world markets, with new additions to its offering, and accelerates growth in the industrial sector. PW Industries recorded sales of \$32 million in 2007;
- Estap, acquired in April, number one for VDI/datacom cabinets and enclosures in Turkey. This strengthens the existing positions of the Group in Turkey, where it is among the leaders in wiring devices and power distribution. With nearly 60% of sales on export markets, particularly in Eastern Europe and the Middle East, Estap rounds out Legrand's robust positions in these regions. It is based in Istanbul, has a production site at Eskisehir, and reported sales of over €22 million in 2007;
- HDL, acquired in April, number one in Brazil for audio and video entry phones. The move consolidates the strong positions Legrand already holds in many markets in Brazil, particularly for wiring devices and divisional circuit breakers. HDL, which has a production site in Manaus and another in Itu, reported sales of close to €20 million in 2007;
- Electrak, acquired in May, among the leaders in the UK for underfloor cable-trays in commercial applications. Legrand, which already has strong positions for ceiling cable trays in the UK, has thus rounded out its offering on this market and in so doing accelerated its growth in non-residential segments. In 2007, Electrak reported sales of close to €20 million.

## 7.3 - OPERATING PROFITS

### 7.3.1 - Introduction

The Group reports its finances and results of operations on the basis of five geographic zones (zone of origin of the products sold). Information concerning the results of operations and finances for each of these five geographic zones is presented for the years 2008, 2007 and 2006 in note 25 to consolidated financial statements shown in chapter 11 of this reference document. Each zone represents either a single country or the consolidated results of a number of countries and distinct markets. These five geographic zones are:

- France;
- Italy;
- Rest of Europe (including principally Spain, Portugal, Greece, Turkey, the United Kingdom, Germany, Belgium, the Netherlands, Austria, Poland and Russia);
- United States and Canada; and

- Rest of the World (including principally Brazil, Mexico, Chile, Venezuela, Colombia, China, India, South Korea, Egypt and Australia).

Since local market characteristics are the determining factor in the Company's performance and net sales by zone, consolidated financial information for multi-country zones does not always accurately reflect the financial performance of each national market. In fact, operations in the Group's geographic zones vary significantly from one country to the next. Furthermore, products may be manufactured and sold locally or instead be imported from or exported to another member of the Group. These factors may distort the comparison of the results of the various geographic zones. Consequently, with the exception of information and data relating to net sales, the discussion of results below focuses primarily on consolidated results, with reference to national markets where they have a material impact on consolidated accounts.

### 7.3.2 - Factors that affect the results of operations

#### 7.3.2.1 - NET SALES

Markets in the countries and regions in which Legrand operates have different characteristics, principally as a result of local economic conditions and standards of living, which affect the level of renovation and new construction of homes, stores and office buildings, as well as the level of investment in industrial facilities. Underlying demand is also linked to the rate of real-estate turnover, since newly acquired properties are frequently renovated or refurbished. The Company estimates that, for the periods under review, approximately 60% of consolidated net sales were generated from the renovation market, which the Company believes limits its exposure to the more cyclical new construction market, and which represented approximately 40% of consolidated net sales.

Changes in consolidated net sales principally reflect the following factors:

- changes in sales volume (i.e., the number of products sold in each period) due to changes in product demand and business levels in all markets;

- the product mix;
- changes in sales prices (including quantity discounts and rebates, cash discounts for prompt payment, general price changes relating to local market conditions, and specific price changes, such as those which are intended to pass on changes in raw material prices);
- fluctuations in exchange rates between the euro and the different billing currencies, which affect the level of consolidated net sales after conversion; and
- changes in the subsidiaries consolidated by Legrand, principally as a result of acquisitions or disposals (which are referred to as "changes in the scope of consolidation").

The table below presents a breakdown by geographic zone of the Company's consolidated net sales (by destination) for the years ended December 31, 2008, 2007 and 2006. Sales "by destination" means all sales by the Group to third parties on a given geographic market.

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## MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2008

### Operating profits

	Legrand Year ended December 31					
	2008		2007		2006	
	€	%	€		€	%
<i>(in € millions, except percentages)</i>						
<b>Net sales by destination</b>						
France	1,000.9	23.8	1,009.9	24.5	949.8	25.4
Italy	714.7	17.0	716.3	17.3	672.4	18.0
Rest of Europe	955.0	22.7	910.6	22.1	806.2	21.6
United States and Canada	574.3	13.7	624.0	15.1	643.2	17.2
Rest of the World	957.5	22.8	868.0	21.0	665.2	17.8
<b>TOTAL</b>	<b>4,202.4</b>	<b>100.0</b>	<b>4,128.8</b>	<b>100.0</b>	<b>3,736.8</b>	<b>100.0</b>

#### ■ 7.3.2.2 - COST OF GOODS SOLD

Cost of goods sold consists principally of the following:

*Cost of raw materials and components.* The cost of raw materials and components accounted for, on average, approximately 61% of consolidated cost of goods sold over the last three financial years. Likewise, approximately 63% of the cost of raw materials and components relates to components and semi-finished goods and approximately 37% relates to raw materials, on average. The breakdown between raw materials and semi-finished products varies according to the product mix, trends in market prices and choices in industrial organization, in particular with the systematic application of a "make or buy" approach to all projects.

Legrand purchases most of its raw materials and components locally. However, Legrand's policy is to increase the percentage of raw materials and components purchased at Group level in order to benefit from economies of scale. Moreover, the cost of raw materials and components may vary as a consequence of global economic changes, such as the general worldwide increase in raw material prices from 2005 to 2008.

*Salary costs and benefit charges for employees involved in manufacturing.* In general, these costs increase on an aggregate basis in proportion to increases in sales and production volumes, and decline as a percentage of net sales as a result of productivity initiatives and economies of scale associated with higher production volumes. In addition, certain back-office salary costs and benefit charges may decrease due to increased use of subcontractors in connection with the systematic application of a "make or buy" approach to all projects. Salary costs and benefit charges accounted for approximately 23% of the average cost of goods sold over the last three financial years.

Other costs of goods sold include:

- depreciation of fixed assets;
- subcontracting costs, which may increase as a result of the transfer of certain production activities to subcontractors with lower production costs; and

- other general manufacturing expenses, such as expenses for energy consumption.

The main factors that influence cost of goods sold as a percentage of net sales include:

- trends in net sales;
- production volumes, insofar as the Company achieves economies of scale through higher production volumes, thereby spreading fixed production costs over a larger number of units produced;
- the mix of products sold, insofar as consumption and production costs vary depending on the cost of the specific technology, raw materials and other components needed to manufacture a given product;
- initiatives to improve operating efficiency, including the implementation of measures to improve productivity and reduce fixed production costs (in particular through deployment of lean manufacturing initiatives), ongoing rationalization of manufacturing capabilities through the specialization of production sites, automation of manufacturing processes, subcontracting and the transfer of certain production to low-cost countries, the systematic application of a "make or buy" approach, and the optimization of inventory management;
- the effectiveness of the new purchasing organization in implementing the cost reduction policy through the centralization, internationalization and standardization of purchasing management;
- product life cycles, insofar as the Company typically incurs higher production costs associated with surplus manufacturing capacity during the initial stages of product launches and when Legrand is phasing out products from its catalogs; and
- changes in the prices of raw materials, components and semi-finished goods due to local or global economic conditions.



### ■ 7.3.2.3 - ADMINISTRATIVE AND SELLING EXPENSE

Legrand's administrative and selling expense consists principally of the following:

- salary costs and benefit charges for sales personnel and administrative staff. These expenses accounted on average for approximately 48% of administrative and selling expense over the last three financial years;
- other administrative expense, including expense relating to logistics and information systems;
- advertising expense; and
- other selling expense, such as printing costs for catalogs and expense incurred in connection with travel and communications.

### ■ 7.3.2.4 - RESEARCH AND DEVELOPMENT EXPENSE

Research and development expense consists principally of the following:

- salary costs and benefit charges for research and development employees;
- amortization expense for patents and other revalued assets recorded in connection with purchase accounting adjustments for the acquisition of Legrand France. In particular, the carrying value of certain patents was increased and then amortized on a declining-balance basis. Year on year, the amortization of these purchase accounting adjustments is thus lower, which in turn reduces research and development expense;
- other miscellaneous expense related to research and development, such as software, prototypes and patent registration costs;
- expense related to the use and maintenance of administrative offices, as well as expense related to information systems, in each case, concerning research and development activities; and
- amortization of capitalized development expense. Costs incurred on significant development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project, considering its technical, commercial and technological feasibility, will be a success, and the costs can be reliably quantified. Once these conditions are satisfied, a portion of the relevant development expense is capitalized. Development costs are amortized from the starting date of the sale of the product on a straight-line basis over the period of its expected benefit, not exceeding a period of ten years.

Over the last three financial years, excluding the amortization expense in connection with the acquisition of Legrand France but including capitalized development expense net of amortization expense, research & development expense and investments represented on average €178.1 million per year, or 4.4% of net sales.

### ■ 7.3.2.5 - OTHER OPERATING INCOME AND EXPENSE

Other operating income and expense includes employee profit sharing, restructuring expense and other expense and provisions. Over the last three financial years, the Company incurred on average €26.5 million in restructuring expense.

### ■ 7.3.2.6 - OPERATING INCOME

Operating income consists of net sales, less cost of goods sold, administrative and selling expense, research and development expense and other operating expense. Operating income does not include interest expense (described below).

### ■ 7.3.2.7 - FINANCE COSTS

Net interest expense principally corresponds to interest income arising from the investment of cash and cash equivalents, less interest expense, including interest paid on amounts made available to the Company under its 2004 and 2006 credit facilities, subordinated perpetual notes, Yankee bonds, High Yield bonds and other bank borrowings. (For a description of these arrangements, see paragraph 7.5 of this report).

### ■ 7.3.2.8 - DISCUSSION AND ANALYSIS OF CHANGES IN NET SALES

In the discussion below, reference to net sales or changes in net sales is made by distinguishing variations due to changes in the scope of consolidation, organic growth (changes in net sales "using constant scope of consolidation and exchange rates") and the impact of exchange-rates variations in the euro and other currencies. The Company believes that this measure is a useful tool for analyzing changes and trends in its historical consolidated net sales over different periods. Measures of organic growth are computed by making the following five adjustments, as applicable.

#### 7.3.2.8.1 - Companies acquired during the current period

Where companies are acquired during the current period, the net sales of the acquired company are reflected in the consolidated statement of income for only the portion of the current period from the date of first consolidation of such company. The calculation of the change in consolidated net sales at constant scope (i.e., excluding the effects of the acquisition) takes into account sales of the acquired company, based on sales information of the acquired company prepared in a manner consistent with internal accounting policies, for the portion of the prior period equal to the portion of the current period during which Legrand actually consolidated the entity.

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### Operating profits

#### 7.3.2.8.2 - Companies acquired during a prior period

Where companies were acquired during the prior period, net sales of the acquired company are reflected in the consolidated statement of income for the entirety of the current period but only for the portion of the prior period from the date of first consolidation of such company. The calculation of the change in consolidated net sales at constant scope (i.e., excluding the effects of the acquisition) takes into account the sales of the acquired company, based on sales information of the acquired company prepared in a manner consistent with internal accounting policies, for the portion of the previous year during which it was not consolidated.

#### 7.3.2.8.3 - Disposals during the current period

Where companies are disposed of during the current period, the net sales of the company sold are reflected in the consolidated statement of income for only the portion of the current period prior to the date of disposal and deconsolidation. The calculation of the change in consolidated net sales at constant scope (i.e., excluding the effect of disposals) does not take into account the sales of the divested company during the period of the previous year corresponding to the period of the current year after disposal.

#### 7.3.2.8.4 - Disposals during a prior period

Where companies were disposed of during the prior period, the net sales of the company sold are not reflected in the consolidated statement of income for the current period. The calculation of the change in consolidated net sales (i.e., excluding the effect of disposals) does not take into account sales of the divested company in the prior period.

#### 7.3.2.8.5 - Using constant exchange rates

Consolidated historical net sales include the effects of exchange rate differences between the euro and other currencies. To analyze the variation of consolidated net sales excluding the effects of these exchange rate changes, Legrand uses constant exchange rates (calculated by adjusting current year reported net sales using prior period exchange rates) to compare year-to-year changes in net sales.

#### ■ 7.3.2.9 - BREAKDOWN OF CHANGES IN NET SALES FROM 2007 TO 2008

The following table presents the breakdown of changes in net sales as reported by zone of **destination** (market where sales are recorded) between 2007 and 2008.

Net sales (in € millions except %)	Year ended December 31					
	2007	2008	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	1,009.9	1,000.9	(0.9)%	0.1%	(1.0)%	0.0%
Italy	716.3	714.7	(0.2)%	0.5%	(0.7)%	0.0%
Rest of Europe	910.6	955.0	4.9%	9.2%	(2.2)%	(1.8)%
USA/Canada	624.0	574.3	(8.0)%	3.8%	(5.1)%	(6.6)%
Rest of the World	868.0	957.5	10.3%	7.1%	7.3%	(4.0)%
<b>CONSOLIDATED TOTAL</b>	<b>4,128.8</b>	<b>4,202.4</b>	<b>1.8%</b>	<b>4.2%</b>	<b>(0.1)%</b>	<b>(2.3)%</b>

The following table presents the breakdown of changes in net sales as reported by zone of **origin** (zone of origin of the products sold) between 2007 and 2008.

Net sales (in € millions except %)	Year ended December 31					
	2007	2008	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	1,203.2	1,146.3	(4.7)%	(3.6)%	(1.1)%	0.0%
Italy	769.0	765.8	(0.4)%	(0.3)%	(0.1)%	0.0%
Rest of Europe	829.8	894.7	7.8%	12.5%	(2.1)%	(2.1)%
USA/Canada	639.7	581.5	(9.1)%	2.7%	(5.2)%	(6.6)%
Rest of the World	687.1	814.1	18.5%	14.6%	8.2%	(4.4)%
<b>CONSOLIDATED TOTAL</b>	<b>4,128.8</b>	<b>4,202.4</b>	<b>1.8%</b>	<b>4.2%</b>	<b>(0.1)%</b>	<b>(2.3)%</b>

The negative impact of changes in the scope of consolidation on sales booked in France is essentially due to the establishment of a subsidiary in Dubai at the end of 2007. This now deals with billings to countries in the Middle East and East Africa.

### ■ 7.3.2.10 - BREAKDOWN OF CHANGES IN NET SALES BETWEEN 2006 AND 2007

The following table presents the breakdown of changes in net sales as reported by zone of **destination** (market where sales are recorded) between 2006 and 2007.

Net sales <i>(in € millions except %)</i>	Year ended December 31					
	2006	2007	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	949.8	1,009.9	6.3%	0.0%	6.3%	0.0%
Italy	672.4	716.3	6.5%	(1.5)%	8.2%	0.0%
Rest of Europe	806.2	910.6	12.9%	0.1%	12.8%	0.0%
USA/Canada	643.2	624.0	(3.0)%	4.1%	1.6%	(8.3)%
Rest of the World	665.2	868.0	30.5%	17.6%	13.2%	(2.0)%
<b>CONSOLIDATED TOTAL</b>	<b>3,736.8</b>	<b>4,128.8</b>	<b>10.5%</b>	<b>3.6%</b>	<b>8.6%</b>	<b>(1.8)%</b>

The following table presents the breakdown of changes in net sales as reported by zone of **origin** (zone of origin of the products sold) between 2006 and 2007.

Net sales <i>(in € millions except %)</i>	Year ended December 31					
	2006	2007	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	1,108.7	1,203.2	8.5%	0.0%	8.5%	0.0%
Italy	713.8	769.0	7.7%	(1.5)%	9.3%	0.0%
Rest of Europe	748.6	829.8	10.8%	0.0%	10.8%	0.0%
USA/Canada	653.7	639.7	(2.1)%	4.6%	2.1%	(8.3)%
Rest of the World	512.0	687.1	34.2%	22.5%	12.1%	(2.3)%
<b>TOTAL CONSOLIDATED</b>	<b>3,736.8</b>	<b>4,128.8</b>	<b>10.5%</b>	<b>3.6%</b>	<b>8.6%</b>	<b>(1.8)%</b>

### ■ 7.3.2.11 - OTHER FACTORS THAT AFFECT THE NET INCOME OF THE GROUP

The acquisition of Legrand France in 2002 and associated purchase accounting adjustments and transactions related thereto have affected net income. In particular:

- from 2002 through 2005, the Group had substantial indebtedness that was incurred to finance the acquisition of Legrand France, which caused interest expense over that period to be high. However, the refinancing transactions completed in February 2006 and the repayment of certain debt from the net proceeds of the Global Offering resulted in a reduction of interest expense as from the 2006 financial year; and

- the significant intangible assets recorded in connection with the acquisition of Legrand France increased the amortization charges of the Group. The purchase accounting adjustments relating to the acquisition of Legrand France principally concern the revaluation of trademarks that are being amortized on a straight-line basis and patents that are being amortized on a declining-balance basis. As a consequence, these purchase accounting adjustments are expected to have a significant impact on operating income until 2011.



## 7.4 - YEAR-ON-YEAR COMPARISONS

### 7.4.1 - Comparison: 2008 and 2007 financial years

<i>(in € millions)</i>	Legrand Year ended December 31,	
	2008	2007
<b>Net sales</b>	<b>4,202.4</b>	<b>4,128.8</b>
<b>Operating expense</b>		
Cost of goods sold	(2,070.0)	(2,060.5)
Administrative and selling expense	(1,144.6)	(1,081.8)
Research and development expense	(208.3)	(219.5)
Other operating income (expense)	(136.7)	(105.5)
<b>Operating income</b>	<b>642.8</b>	<b>661.5</b>
Interest expense	(151.7)	(152.4)
Interest income	29.1	42.5
Foreign exchange gain/loss	(25.3)	44.0
Loss on extinguishment of debt	0.0	0.0
<b>Finance costs and other financial income and expense, net</b>	<b>(147.9)</b>	<b>(65.9)</b>
Share in (loss)/profit of associates	0.0	2.0
<b>Income before taxes</b>	<b>494.9</b>	<b>597.6</b>
Income taxes	(143.4)	(175.0)
<b>Net income for the year</b>	<b>351.5</b>	<b>422.6</b>
<b>Net income attributable to:</b>		
- Legrand	349.9	421.0
- Minority interests	1.6	1.6

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Year-on-year comparisons

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The table below presents the calculation of the adjusted operating income (defined as operating income adjusted for purchase accounting adjustments relating to the acquisition of Legrand France and impairment of goodwill) for the periods under review:

(in € millions)	2008	2007
<b>Net income for the year</b>	<b>351.5</b>	<b>422.6</b>
Income taxes	143.4	175.0
Share of loss/(profit) of associates	(0.0)	(2.0)
Loss on extinguishment of debt	0.0	0.0
Foreign exchange gain/(loss)	25.3	(44.4)
Interest income	(29.1)	(42.5)
Interest expense	151.7	152.4
<b>Operating income</b>	<b>642.8</b>	<b>661.5</b>
Purchase accounting adjustments related to the acquisition of Legrand France	55.1	62.5
Impairment of <i>goodwill</i>	0.0	0.0
<b>Adjusted operating income</b>	<b>697.9</b>	<b>724.0</b>
Restructuring charges	47.6	8.2
<b>Recurring adjusted operating income</b>	<b>745.5</b>	<b>732.2</b>

#### ■ 7.4.1.1 - NET SALES

Consolidated net sales increased by 1.8% to €4,202.4 million in 2008, compared to €4,128.8 million in 2007, reflecting:

- an 0.1% decline in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates;
- a 4.2% increase in net sales due to changes in the scope of consolidation from 2007 to 2008, relating in particular to the consolidation of Kontaktor, Macse, Alpes Technologies and TCL Wuxi over twelve months, of PW Industries over eleven months, and of Estap, HDL and Electrak over nine months; and
- a 2.3% decrease in net sales due to unfavorable changes in exchange rates in 2008 compared to 2007.

The decline in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, reflects marked deterioration in market conditions in all zones with the exception of the Rest of the World area, where sales growth for the full year came to 7.3%.

Excluding the effects of changes in the scope of consolidation and using constant exchange rates, changes in net sales by zone of destination between 2007 and 2008 were as follows (sales by zone of destination means sales of Legrand to third parties in a given geographic zone):

France	(1.0)%
Italy	(0.7)%
Rest of Europe	(2.2)%
United States and Canada	(5.1)%
Rest of the World	+7.3%
<b>TOTAL</b>	<b>(0.1)%</b>

*France.* Net sales in France retreated 0.9% from €1,009.9 million in 2007 to €1,000.9 million in 2008. This modest decline reflects a 1.0% decrease excluding the effects of changes in the scope of consolidation related to a general slowdown in the market. Some sectors nonetheless made good progress, among them Voice-Data-Image solutions, cable management, the *Céliane* range of wiring devices, and power distribution.

*Italy.* Net sales in Italy edged down 0.2% from €716.3 million in 2007 to €714.7 million in 2008. An 0.7% decline in net sales excluding the effects of changes in the scope of consolidation reflects deterioration in the residential market and slackening trends in the commercial sector. Trends remained positive for wire-mesh cable management and transformers, as well as for top-end *Axolute* wiring devices and for *My Home* home automation solutions.

*Rest of Europe.* Net sales in the Rest of Europe zone increased by 4.9% to €955.0 million in 2008, compared to €910.6 million in 2007. This increase reflected the positive impact of the consolidation of Kontaktor over twelve months, and Estap and Electrak over nine months. In contrast, net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, decreased by 2.2%, and the impact of exchange rates was a negative 1.8%. Sales growth on some western European markets including Belgium and the Netherlands, as well as Poland, Romania and Russia to the east, failed to offset declines in other countries, in particular Spain, Portugal and the United Kingdom.

*United States and Canada.* Net sales in the United States and Canada zone fell 8.0% to €574.3 million in 2008 compared to €624.0 million in 2007. This reflected a 5.1% decline at constant scope of consolidation and exchange rates due to steep downward slope on the residential market and a negative 6.6% impact of exchange-rate variations. Changes in the scope of consolidation had a positive 3.8% impact, with PW Industries consolidated over eleven months. Sales held on a strong track for Watt Stopper,



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### Year-on-year comparisons

market leader for energy-efficient lighting controls, and for cable management specialists PW Industries and Cablofil.

*Rest of the World.* Net sales in the Rest of the World zone increased by 10.3% to €957.5 million in 2008, compared to €868.0 million in 2006. This increase resulted from a 7.3% increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, combined with the effects of the consolidation of Macse and TCL Wuxi over twelve months, of HDL over nine months, and of HPM over twelve months in 2008 (eleven in 2007). The impact of exchange-rate variations was a negative 4.0%. Growth at constant scope of consolidation and exchange rates topped 10% on markets including Latin America, where Brazil and Chile stood out; in Africa and the Middle East, with particularly good showings in Egypt and in India. In the fourth quarter, these favorable trends partly offset declines in markets including China, Mexico and South Korea.

#### ■ 7.4.1.2 - COST OF GOODS SOLD

Consolidated cost of goods sold increased by 0.5% to €2,070.0 million in 2008, compared to €2,060.5 million in 2007. Cost of goods sold as a percentage of net sales decreased to 49.3% in 2008 compared to 49.9% in 2006.

The increase in consolidated cost of goods sold resulted primarily from increases in:

- the volume of raw materials and components due to consolidation of acquisitions; and
- the price of raw materials and components.

It was partially offset by a decrease in manufacturing expense as a percentage of net sales. This decrease is related to both salary costs (with a 6.7% decrease, excluding the impact of changes in the scope of consolidation, in the Group's total production headcount affecting all zones, in particular France and the United States) and other general manufacturing expense as a result of:

- cost-cutting measures deployed from early 2008 to counter market deterioration in most countries;
- restructuring measures; and
- ongoing initiatives to improve productivity and rationalization of manufacturing capabilities in particular through lean manufacturing action plans.

In addition, the increase in sales prices helped offset increases in the cost of raw materials and components.

#### ■ 7.4.1.3 - ADMINISTRATIVE AND SELLING EXPENSE

Consolidated administrative and selling expense increased by 5.8% to €1,144.6 million in 2008 (27.2% of sales), compared to €1,081.8 million in 2007 (26.2% of sales).

This increase is attributable in particular to:

- the consolidation of recently acquired companies; and
- the impact at the start of the year of enhanced marketing initiatives to develop the Company's presence, primarily in emerging markets, including Eastern Europe, Latin America and Asia. This trend was reversed in the second half of the year as it became apparent that economic conditions were becoming less favorable on these markets. The weighted-average marketing and commercial headcount increased by 3.8% in 2008 compared to 2007 on a comparable basis, excluding the impact of changes in the scope of consolidation;

partially offset by:

- the implementation of vigorous action plans to adapt Group structures to new market conditions. At comparable scope and constant exchange rates, administrative and selling expense in the fourth quarter thus showed a decline of 3.3% from the previous year, whereas there was a year-on-year rise of 7.9% in the first half of 2008.

#### ■ 7.4.1.4 - RESEARCH AND DEVELOPMENT EXPENSE

In 2008, research and development teams worked on numerous development projects for the launch of new product ranges. The Company launched over twenty new products or product ranges in 2008, including:

- the *Art* range of wiring devices, targeting prestige projects in France and other parts of the world and the *Nepteo* range;
- audio and video entry phones for emerging markets in Latin America, the Middle East and Eastern Europe;
- Legrand audio and video entry phones for the Chinese market;
- *Light Saver* lighting solutions for low-energy consumption in the United States;
- new *Mosaic* trunking for the French market, the perfect addition to the *Mosaic* range for commercial applications;
- the new *Evolution* range of floor boxes in the United States;
- *Uralight* emergency lighting; and
- the *Power Commander IQ PDU VDI* range for data centers in the United States.

In accordance with IAS 38 "Intangible Assets", the Group has implemented an internal measurement and accounting system for development expense to be recognized as intangible assets. As a result, €29.4 million in development expense was capitalized in 2008 compared to €22.0 million in 2007. Amortization charges for capitalized development costs amounted to €9.2 million in 2008 compared to €8.2 million in 2007.

Consolidated research and development charges totaled €208.3 million in 2008 and €219.5 million in 2007, including in particular the amortization of intangible assets relating to the acquisition of Legrand France.

Excluding the impact of the capitalization of development costs and purchase accounting charges relating to the acquisition of Legrand France, research and development expense rose to €182.9 million in 2008 (4.4% of net sales) compared to

€175.9 million in 2007 (4.2% of net sales). This increase is due primarily to higher spending on new product ranges to expand and enrich the Group's offering on all its markets.

In 2008, 1,849 employees in some 16 countries were involved in research and development, with 68.9% based in France and in Italy. In 2007, 1,794 employees in 16 countries were involved in research and development, with 71.0% based in France and in Italy.

(in € millions)	Calculation of research and development expense	
	2008	2007
<b>Research and development expense</b>	<b>(208.3)</b>	<b>(219.5)</b>
Purchase accounting amortization	45.6	57.4
Amortization of capitalized development costs	9.2	8.2
<b>Research and development expense, excluding amortization and purchase accounting adjustments relating to the acquisition of Legrand France</b>	<b>(153.5)</b>	<b>(153.9)</b>
Capitalized development costs	(29.4)	(22.0)
<b>Research and development expenditure for the year</b>	<b>(182.9)</b>	<b>(175.9)</b>

#### ■ 7.4.1.5 - OTHER OPERATING INCOME AND EXPENSE

In 2008, other operating income and expense increased by 29.6% to €136.7 million, compared to €105.5 million in 2007. This is due to a €39.4 million rise in restructuring charges, in particular relating to the action taken to adapt Group structures to deteriorating market conditions. Restructuring charges concerned a large number of countries in 2008, in particular Australia, South Korea, Spain, the United States and Russia.

#### ■ 7.4.1.6 - OPERATING INCOME

In an unfavorable economic environment, consolidated operating income proved resilient, reaching 15.3% of sales to stand at €642.8 million in 2008, compared to €661.5 million in 2007. The change resulted primarily from:

- an 0.5% increase in the cost of goods sold, although this was down from 49.9% of net sales in 2007 to 49.3% in 2008;
- a 5.8% increase in administrative and selling expense; and
- a 29.6% increase in other operating expense due to higher restructuring charges.

This was partially offset by:

- a 1.8% increase in net sales; and
- a 5.1% decline in research and development charges, reflecting a decline in amortization relating to the acquisition of Legrand France and an increase in capitalized development costs.

#### ■ 7.4.1.7 - ADJUSTED OPERATING INCOME

Operating income is defined as operating income adjusted for purchase accounting charges recorded in connection with the acquisition of Legrand France and impairment of goodwill. Adjusted operating income also proved resilient, amounting to €697.9 million in 2008 (16.6% of sales) compared to €724.0 million in 2007 (17.5% of sales). This change reflects:

- a decline of 28.4% to €56.7 million in the United States and Canada zone in 2008 compared to €79.2 million in 2007, which represented 9.8% of net sales in 2008 compared to 12.4% in 2007. This steep fall reflected the impact of the dollar's decline against the euro on the book value of adjusted operating income and heavy restructuring charges. Excluding restructuring charges, adjusted operating income represented 12.7% of net sales in 2008 compared to 12.8% in 2007, a steady performance that underscored the remarkable resilience of recurrent operating results in persistently difficult market conditions;
- a slight 3.3% decline to €222.9 million in Italy in 2008 compared to €230.4 million in 2007, which represented 29.1% of net sales in 2008 compared to 30.0% in 2007; and
- varying performances in the Rest of the World zone, with unfavorable trends in some countries, in particular South Korea, Australia, India, Thailand and Mexico, and improvements in others: Brazil, Colombia, Egypt and China.



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### Year-on-year comparisons

These declines were partly offset by:

- a 3.6% increase to €240.2 million in France compared to €231.8 million in 2007 and representing 21.0% of net sales in 2008 compared to 19.3% in 2007; and
- an improvement in the Rest of Europe zone, with an increase in countries including the Netherlands, the United Kingdom, Turkey and Hungary offsetting unfavorable trends in Spain, Portugal and Russia, affected by the deterioration of market conditions or restructuring charges.

#### ■ 7.4.1.8 - FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSE

Consolidated net interest expense increased by 11.6% to €122.6 million in 2008 compared to €109.9 million in 2007. Consolidated net interest amounted to 2.9% of 2008 net sales compared to 2.7% in 2007. The increase is due to higher levels of average indebtedness in 2008, as well as a rise in interest rates on average over the year.

#### ■ 7.4.1.9 - FOREIGN EXCHANGE GAINS AND LOSSES

Foreign exchange losses amounted to €25.3 million in 2008, compared to gains of €44.0 million in 2007. As in 2007, this result was essentially due to the impact of variations in the US dollar/euro exchange rate on the Group's net debt.

#### ■ 7.4.1.10 - INCOME TAX

In 2008, Legrand's pre-tax income amounted to €494.9 million, showing a decline from 2007 when it was €597.6 million. This was mainly attributable to a modest decline in operating income and the significantly less favorable impact of foreign exchange. Consolidated income tax amounted to €143.4 million in 2008, compared to €175.0 million in 2007. The lower charge for 2008 reflects the decline in pre-tax income.

#### ■ 7.4.1.11 - NET INCOME

Consolidated net income amounted to €351.5 million in 2008, compared to €422.6 million in 2007, mainly resulting from:

- an €18.7 million decline in operating income;
  - a €12.7 million increase in finance costs; and
  - a €69.3 million decrease in net foreign exchange results;
- partially offset by:
- a €31.6 million decline in income tax.



## 7.4.2- Comparison: 2007 and 2006 financial years

<i>(in € millions)</i>	Legrand Year ended December 31,	
	2007	2006
<b>Net sales</b>	<b>4,128.8</b>	<b>3,736.8</b>
<b>Operating expense</b>		
Cost of goods sold	(2,060.5)	(1,881.7)
Administrative and selling expense	(1,081.8)	(977.7)
Research and development expense	(219.5)	(237.9)
Other operating income (expense)	(105.5)	(109.9)
<b>Operating income</b>	<b>661.5</b>	<b>529.6</b>
Interest expense	(152.4)	(157.4)
Interest income	42.5	33.7
Foreign exchange gain/loss	44.0	40.4
Loss on extinguishment of debt	0.0	(109.0)
<b>Finance costs and other financial income and expense, net</b>	<b>(65.9)</b>	<b>(192.3)</b>
Share in (loss)/profit of associates	2.0	0.8
<b>Income before taxes</b>	<b>597.6</b>	<b>338.1</b>
Income taxes	(175.0)	(82.9)
<b>Net income for the year</b>	<b>422.6</b>	<b>255.2</b>
<b>Net income attributable to:</b>		
<b>- Legrand</b>	<b>421.0</b>	<b>252.0</b>
<b>- Minority interests</b>	<b>1.6</b>	<b>3.2</b>

The table below presents the calculation of the adjusted operating income (defined as operating income adjusted for purchase accounting adjustments relating to the acquisition of Legrand France and impairment of goodwill) for the periods under review:

<i>(in € millions)</i>	2007	2006
<b>Net income for the year</b>	<b>422.6</b>	<b>255.2</b>
Income taxes	175.0	82.9
Share of profit/( loss) of associates	(2.0)	(0.8)
Loss on extinguishment of debt	0.0	109.0
Foreign exchange gain/(loss)	(44.0)	(40.4)
Interest income	(42.5)	(33.7)
Interest expense	152.4	157.4
<b>Operating income</b>	<b>661.5</b>	<b>529.6</b>
Purchase accounting adjustments related to the acquisition of Legrand France	62.5	86.6
Impairment of <i>goodwill</i>	0.0	0.0
<b>Adjusted operating income</b>	<b>724.0</b>	<b>616.2</b>
Restructuring charges	8.2	23.6
<b>Recurring adjusted operating income</b>	<b>732.2</b>	<b>639.8</b>



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Year-on-year comparisons

### ■ 7.4.2.1 - NET SALES

Consolidated net sales increased by 10.5% to €4,128.8 million in 2007, compared to €3,736.8 million in 2006, reflecting:

- an 8.6% increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates;
- a 3.6% increase in net sales relating primarily to changes in the scope of consolidation in 2007 in particular the consolidation of Vantage, UStec and HPM for eleven months and of Cemar for six months; and
- a 1.8% decrease in net sales relating primarily to unfavorable fluctuations in exchange rates in 2007 compared to 2006.

The increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, reflects increases in all zones and in particular the Rest of Europe, Rest of the World and Italy zones.

Excluding the effects of changes in the scope of consolidation and using constant exchange rates, changes in net sales by zone of destination between 2007 and 2006 were as follows (sales by zone of destination means sales of Legrand to third parties in a given geographic zone):

France	+6.3%
Italy	+8.2%
Rest of Europe	+12.8%
United States and Canada	+1.6%
Rest of the World	+13.2%
<b>TOTAL</b>	<b>+8.6%</b>

*France.* Net sales in France increased by 6.3% to €1,009.9 million in 2007, compared to €949.8 million in 2006. Excluding the effects of changes in the scope of consolidation, net sales increased by 6.3%, due in particular to the success of new *Céliane*, *Mosaic* and *Batibox* wiring device ranges and a strong performance in power distribution.

*Italy.* Net sales in Italy increased by 6.5% to €716.3 million in 2007, compared to €672.4 million in 2006, driven by continuing pace in sales for the *Axolute* range and a robust performance in the industrial sector. This overall rise results from an 8.2% increase in net sales, excluding the effects of changes in the scope of consolidation, together with the 1.5% negative impact of a change in the scope of consolidation due to accounting reclassification.

*Rest of Europe.* Net sales in the Rest of Europe zone increased by 12.9% to €910.6 million in 2007, compared to €806.2 million in 2006. This increase resulted from a 12.8% increase in net sales excluding the effects of changes in the scope of consolidation and using constant exchange rates, with, in particular, continued remarkable performances in Eastern Europe (with very strong rises in Russia, Poland, Slovakia and Ukraine) and double-digit growth in Greece and Turkey.

*United States and Canada.* Net sales in the United States and Canada zone fell 3.0% to €624.0 million in 2007, compared to €643.2 million in 2006. This decline resulted primarily from a very unfavorable exchange rate (-8.3%), whereas net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, rose 1.6%, driven by moderate growth in the non-residential sector and the vigorous performances of high value-added businesses. Changes in the scope of consolidation also added 4.1% to sales, with the consolidation of Vantage and UStec.

*Rest of the World.* Net sales in the Rest of the World zone increased by 30.5% to €868.0 million in 2007, compared to €665.2 million in 2006. This increase resulted from a 13.2% increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, with all emerging countries making excellent contributions (this was particularly the case for the Middle East and Latin America). It also reflected the impact of the consolidation of HPM Industries from February 1, 2007 and of Cemar for twelve months in 2007 compared with six months in 2006. Unfavorable fluctuations in exchange rates had a negative impact of 2.0%.

More generally, net sales generated in emerging markets, which represent almost 25% of the Group total, increased by over 18% in 2007 excluding the effects of changes in the scope of consolidation and using constant exchange rates. Legrand thus improved its growth profile and diversified market positions by bringing its exposure to emerging countries into line with their place in the world economy.

### ■ 7.4.2.2 - COST OF GOODS SOLD

Consolidated cost of goods sold increased by 9.5% to €2,060.5 million in 2007, compared to €1,881.7 million in 2006. Cost of goods sold as a percentage of net sales eased to 49.9% in 2007 compared to 50.4% in 2006.

The increase in consolidated cost of goods sold resulted primarily from increases in:

- the volume of raw materials and components purchased due to higher consolidated net sales;
- the price of raw materials and components; and
- production expense related to subcontracting as a result of the transfer of certain manufacturing activities to low-cost manufacturers.

This increase also results from the consolidation of recently acquired companies.

It was partially offset by:

- a decrease in manufacturing expense as a percentage of net sales. This decrease is related to both salary costs (with a 1.9% decrease, excluding the impact of changes in the scope of consolidation, in the Group's total production headcount, particularly in France, the United Kingdom the United States, Brazil and Korea) and other general manufacturing expense as a result of:
  - continued restructuring measures, particularly in the countries indicated above, and

- ongoing initiatives to improve productivity and rationalization of manufacturing capabilities through lean manufacturing action plans;
- a decrease in amortization charges resulting from the application of the “make or buy” approach and the localization of some production activities in countries with lower capital expenditure needs.

The increase in sales prices offset increases in the cost of raw materials and components.

#### ■ 7.4.2.3 - ADMINISTRATIVE AND SELLING EXPENSE

Consolidated administrative and selling expense increased by 10.6% to €1,081.8 million in 2007, compared to €977.7 million in 2006. This increase is attributable to:

- the ongoing marketing initiatives to develop the Company’s presence in emerging markets, including Eastern Europe, Latin America and Asia, as well as in the United States. Weighted-average marketing and commercial headcount increased by 3.6% in 2007 compared to 2006 on a comparable basis, excluding the impact of changes in the scope of consolidation;
- the consolidation of recently acquired companies; and
- higher variable commercial expense linked to higher net sales as, for instance, commissions on sales and transport costs.

In particular, selling expense significantly increased in the Rest of the World zone, particularly in Brazil, Colombia, India and Australia, as well as in certain countries in the Rest of Europe zone, including Russia and Poland. Even so, the rise in selling expense is, on the whole, in line with rising sales.

Administrative expense increased moderately on the whole, and less rapidly than net sales in France, Italy and in the Rest of Europe zone. Specific initiatives in logistics in certain countries in the Rest of the World zone, aimed at continuously improving the customer service, led to one-off increases there.

As a percentage of net sales, consolidated administrative and selling expense thus held steady at 26.2% in 2007, as in 2006.

#### ■ 7.4.2.4 - RESEARCH AND DEVELOPMENT EXPENSE

In 2007, research and development teams worked on numerous new development projects for the launch of new product ranges. The Company launched over fifty new products or product ranges in 2007, including:

- In control and command: the *Céliane*, *Mosaic* and *Batibox* ranges in France; *Mallia* ranges in Asia and the Middle East; *Signature* in the United States; *Zunis* in South Korea and an optimized emergency lighting range in the US that reduces energy consumption;
- In energy distribution: the new *XL Part* optimized power distribution system in Portugal; *Stop & Go* automatic re-set circuit-breakers in France, Italy and Spain; and *DRX* molded case circuit-breakers in India and Latin America;
- In cable management: *Mosaic* range floor boxes in France, *Datamatix* offering in Spain; *WMFB* home floor boxes range and *Walkerflex* modular connectors in the United States; and
- In VDI: new *Mighty Mo* enclosures, 10-giga *Clarity* range, high-density patch panels offering (category 5 and 6) and a new fiber-optic connector range.

In accordance with the application of IAS 38 “Intangible Assets”, the Group implemented an internal measurement and accounting system for research and development expense to be recognized as intangible assets. As a result, €22.0 million in development expense were capitalized in 2007 compared to €22.1 million in 2006. Amortization charges for capitalized development costs amounted to €8.2 million in 2007.

Consolidated research and development charges totaled €219.5 million in 2007 and €237.9 million in 2006, including the amortization of intangible assets relating to the acquisition of Legrand France.

Excluding the purchase accounting charges relating to the capitalization of development costs and the acquisition of Legrand France, cash research and development expense held steady at €175.9 million in 2007 (4.3% of net sales) compared to €175.6 million in 2006 (4.7% of net sales). This stability is due primarily to heavy investment in the development of new wiring device ranges undertaken in 2006 in France.

In 2007, excluding the acquisitions of Kontaktor, Macse, Wuxi and Alpes Technologies, 1,794 employees in some 16 countries were involved in research and development, with 71.0% based in France and in Italy. The 2006 figure was 1,807 employees in the same number of countries, with 71.2% based in France and in Italy.





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Year-on-year comparisons

<i>(in € millions)</i>	Calculation of research and development expense	
	2007	2006
<b>Research and development expense</b>	<b>(219.5)</b>	<b>(237.9)</b>
Purchase accounting amortization	57.4	81.0
Amortization of capitalized development costs	8.2	3.4
<b>Research and development expense, excluding amortization and purchase accounting adjustments relating to the acquisition of Legrand France</b>	<b>(153.9)</b>	<b>(153.5)</b>
Capitalized development costs	(22.0)	(22.1)
<b>Research and development expenditure for the year</b>	<b>(175.9)</b>	<b>(175.6)</b>

### ■ 7.4.2.5 - OTHER OPERATING INCOME AND EXPENSE

In 2007, other operating income and expense decreased by 40% to €105.5 million, compared to €109.9 million in 2006. This reduction is due to a €12.1 million rise in the proceeds of the sale of industrial buildings, particularly in Korea, Brazil and Peru, which was partially offset by an increase in employee profit-sharing and certain provisions. In 2007, restructuring costs related principally to Italy, the United States and Australia.

### ■ 7.4.2.6 - OPERATING INCOME

Consolidated operating income increased by 24.9% to €661.5 million in 2007, compared to €529.6 million in 2006. This increase resulted primarily from:

- a 10.5% increase in net sales;
- a 7.7% decrease in research and development expense, primarily due to the decrease in purchase accounting charges in connection with the acquisition of Legrand France; and
- a 4.0% decline in other operating expense;

This was partially offset by:

- a 9.5% increase in the cost of goods sold which, expressed as a percentage of net sales, nonetheless decreased to 49.9% in 2007 compared to 50.4% in 2006; and
- a 10.6% increase in administrative and selling expense.

Overall, consolidated operating income as a percentage of net sales increased to 16.0% in 2007 compared with 14.2% in 2006.

### ■ 7.4.2.7 - ADJUSTED OPERATING INCOME

Operating income is defined as operating income adjusted for purchase accounting charges recorded in connection with the acquisition of Legrand France and impairment of goodwill. Adjusted operating income increased by 17.5% to €724.0 million in 2007, compared to €616.2 million in 2006, reflecting:

- a 9.5% increase to €231.8 million in France in 2007 compared to €211.6 million in 2006, which represented 19.3% of net sales in 2007 compared to 19.1% in 2006;

- a 24.7% increase to €230.4 million in Italy in 2007 compared to €184.7 million in 2006, which represented 30.0% of net sales in 2007 compared to 25.9% in 2006;
- an increase in most countries of the Rest of Europe zone, including in particular Spain, the United Kingdom, Greece, Turkey, Poland and Russia, which more than offset less favorable trends in the Netherlands;
- an increase of 8.0% to €79.2 million in the United States and Canada zone in 2007 compared to €73.3 million in 2006, which represented 12.4% of net sales in 2007 compared to 11.2% in 2006. This underscored Legrand's remarkable resilience in this zone where very strong performances of high value-added businesses more than offset a slowdown in the residential market; and
- an increase in a large majority of the countries in the Rest of the World zone, including in particular Latin America, India, Korea and China, which more than offset restructuring costs in Australia.

### ■ 7.4.2.8 - FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSE

Consolidated net interest expense decreased by 11.2% to €109.9 million in 2007 compared to €123.7 million in 2006. Consolidated net interest amounted to 2.7% of 2007 net sales compared to 3.3% in 2006. The decrease is due to lower levels of average indebtedness in 2007, as well as hedging to limit the negative impact of higher interest rates and the full-year impact of more favorable financing conditions obtained following the debt refinancing operations in the first quarter of 2006.

### ■ 7.4.2.9 - FOREIGN EXCHANGE GAINS AND LOSSES

Foreign exchange gains amounted to €44.0 million in 2007, compared to gains of €40.4 million in 2006. As in 2006, gains were essentially due to trends in US dollar/euro exchange rates.

#### ■ 7.4.2.10 - INCOME TAX

Consolidated income tax amounted to €175.0 million in 2007, compared to €82.9 million in 2006. In 2007, the income tax charge takes into account the impact of a lower tax rate in Italy on deferred tax assets and liabilities. In 2006 the tax charge was affected by the recognition of deferred tax assets in France. In 2007, Legrand recorded pretax income of €597.6 million, resulting primarily from increased operating income and lower financial expense. In 2006, Legrand recorded a pretax income of €338.1 million resulting primarily from increased operating income and lower financial expense, partially offset by a €109.0 million loss on the extinguishment of debt principally relating to the early redemption of High Yield Bonds.

#### ■ 7.4.2.11 - NET INCOME

Consolidated net income amounted to €422.6 million in 2007, compared to €255.2 million in 2006, mainly resulting from:

- a €131.9 million increase in operating income;
  - a €13.8 million decrease in finance costs;
  - a €3.6 million increase in exchange-rate gains; and
  - a €109.0 million loss in 2006 recorded on early redemption of High-Yield Bonds during the year;
- partially offset by:
- a €92.1 million increase in income tax.

## ■ 7.5 - CASH AND CAPITAL RESOURCES

For information concerning the share capital of the Company, investors should refer to notes 10 and 12 attached to the consolidated financial statements shown in chapter 11 of this reference document.

Legrand has implemented a share buyback program in an amount not to exceed €650.0 million, details of which were published on May 23, 2008.

As of December 31, 2008, the Company held 4,884,873 shares under the program, acquired at a total cost of €109,926,422. During 2008, a total of 2,754,403 shares of Legrand stock were purchased at a cost of €56,450,008.

On May 29, 2007, Legrand appointed a financial institution to maintain a liquid market for its ordinary shares and as of December 31, €45.0 million had been allocated to a liquidity account.

During 2008, a net 1,744,527 shares of Legrand stock were purchased at a cost, net of disposal proceeds, of €29,073,134. As of December 31, 2008, Legrand held 1,861,000 own shares purchased at an average cost of €26,057,773 in connection with this liquidity account.

### 7.5.1 - Cash flows

#### ■ 7.5.1.1 - CASH FLOWS OVER 3 YEARS

The table below summarizes cash flows of the Company for the years ended December 31, 2008, 2007 and 2006.

<i>(in € millions)</i>	Legrand Year ended December 31,		
	2008	2007	2006
Net cash provided by operating activities	577.5	685.5	581.5
Net cash (used in) provided by investing activities	(280.5)	(403.2)	(213.7)
Net cash (used in) provided by financing activities	(256.3)	(234.2)	(312.3)
Increase (reduction) in cash and cash equivalents	33.3	42.2	45.7
Capital expenditure and capitalized development costs	(160.4)	(171.4)	(152.9)



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### Cash and capital resources

For a description of cash flows, investors should refer to the consolidated statement of cash flows provided in the consolidated financial statements of the Company shown in chapter 11 of this reference document.

#### ■ 7.5.1.2 - NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities declined to €577.5 million at December 31, 2008, compared to €685.5 million at December 31, 2007. This decline of €108.0 million in 2008 was mainly attributable to a 10.8% decrease in cash flow from operations (defined as net cash provided by operating activities, plus or minus variations in other operating assets or liabilities) to €596.0 million at December 31, 2008 compared to €668.0 million at December 31, 2007, and an increase in the change in working capital requirements of €36.0 million.

Net cash provided by operating activities increased to €685.5 million at December 31, 2007, compared to €581.5 million at December 31, 2006. This increase of €104.0 million in 2007 was attributable to an increase in cash flow from operations (defined as net cash provided by operating activities, plus or minus variations in other operating assets or liabilities) of 8.0%, amounting to €668.0 million at December 31, 2007 compared to €618.7 million at December 31, 2006, and to a decrease in the change in working capital requirements of €54.7 million.

#### ■ 7.5.1.3 - NET CASH USED IN OR PROVIDED BY INVESTING ACTIVITIES

Net cash used in investing activities for the year ended December 31, 2008 amounted to €280.5 million, compared to net cash used in investing activities of €403.2 million for the year ended December 31, 2007. This decrease was primarily due to decreases in investments in consolidated entities and in capital expenditure, partly offset by an increase in capitalized development costs and a decline in the proceeds of sales of fixed assets.

Capital expenditure and capitalized development costs amounted to €160.4 million for the year ended December 31, 2008 (of which €29.4 million related to capitalized development costs), showing a decline of 6.4% from €171.4 million for the year ended December 31, 2007 (of which €22.0 million related to capitalized development costs).

Net cash used in investing activities for the year ended December 31, 2007 amounted to €403.2 million, compared to net cash used in investing activities of €213.7 million for the year ended December 31, 2006. This increase is primarily due to a rise in investments in consolidated entities and to an increase in capital expenditure and capitalized development costs, partially offset by an increase in the proceeds of sales of fixed assets.

Capital expenditure and capitalized development costs amounted to €171.4 million for the year ended December 31, 2007 (of which €22.0 million related to capitalized development costs), an increase of 12.1% from €152.9 million for the year ended December 31, 2006 (of which €22.1 million related to capitalized development costs).

#### ■ 7.5.1.4 - NET CASH USED IN OR PROVIDED BY FINANCING ACTIVITIES

Net cash used in financing activities amounted to €256.3 million in 2008, compared to €234.2 million of net cash used in financing activities in 2007. This increase in net cash used in financing activities is primarily due to the purchase of investment securities (French Treasury Bonds) and payment of a higher dividend, partly offset by a decline in share buybacks and increased drawings on credit lines.

Net cash used in financing activities amounted to €234.2 million in 2007, compared to €312.3 million net cash used in financing activities in 2006. This decrease in net cash used in financing activities is primarily due to new bank borrowing and use of credit lines set up in 2006, partially offset by an increase in dividends paid and share buybacks.

## 7.5.2- Debt

Gross debt of the Group (defined as the sum of the subordinated shareholder PIK loan, long-term and short-term borrowings, including subordinated perpetual notes, commercial paper and bank overdrafts) amounted to €2,421.5 million at December 31, 2008, compared to €2,019.1 million at December 31, 2007 and €1,855.7 million at December 31, 2006. Cash and marketable securities amounted to €559.7 million at December 31, 2008, including €304.9 million in French Treasury Bonds, compared to €221.3 million at December 31, 2007 and €179.3 million at December 31, 2006. Total net debt (defined as gross debt, less cash, marketable securities and restricted cash deposits) amounted to €1,861.8 million at December 31, 2008 compared to €1,797.8 million at December 31, 2007 and €1,676.4 million at December 31, 2006.

The ratio of consolidated net debt to consolidated shareholders' equity was 85% at December 31, 2008, compared to 84% at December 31, 2007 and 77% at December 31, 2006.

At December 31, 2008, gross debt of the Group consisted principally of the following:

- €1,352.9 million under the 2006 credit facility (see paragraph 7.5.2.1 of this document);
- €220.0 million in bank borrowing taken out in May 2007 (see paragraph 7.5.2.2 of this document);
- €279.2 million in Yankee Bonds (see paragraph 7.5.2.3 of this document); and
- other debt amounting to €569.4 million at December 31, 2008, consisting mainly of commercial paper and other borrowings.

The repayment schedule for the non-current portion of these borrowings appears in note 14 to the consolidated financial statements shown in chapter 11 of this reference document.

Cash and equivalents (€254.4 million at December 31, 2008 and €221.1 million at December 31, 2007) correspond to bank deposits for less than three months placed with top-quality banks.

Readers are invited to consult note 23 e) of the financial statements in chapter 11 for a description of the financial covenants that appear in Group contracts.

In addition, readers should refer to paragraph 19.9 of appendix 2 (Management Report) relating to agreements entered into by the Company and which would be altered or lapse in the event of a change of control of the Company.

### ■ 7.5.2.1 - 2006 CREDIT FACILITY

On January 10, 2006, the Company entered into a €2.2 billion credit facility with a syndicate of banks (the "2006 Credit Facility") in order to refinance the 2004 Credit Facility in the amount of €1.4 billion and redeem all outstanding High-Yield Bonds at an

aggregate redemption price of €574.2 million, to which should be added interest charges and the cost of the early redemption, as well as to redeem in an amount of €177.9 million the portion of the Subordinated Shareholder PIK Loan corresponding to the vendor loan provided by Schneider in connection with the acquisition of Legrand France and which fell due upon the redemption of the High-Yield Bonds.

When originally signed, the 2006 Credit Facility comprised: (i) a multi-currency term loan in an amount of €700.0 million, amortized semi-annually in tranches of 10% of the principal starting January 10, 2007 until July 10, 2010, with a final payment of 20% on January 10, 2011 (Tranche A); (ii) a multi-currency revolving credit facility in an amount of €1.2 billion (Tranche B); and (iii) a bridge term multi-currency loan facility in an amount of €300 million (Tranche C). Tranches A and B each originally had a term of five years and two one-year extension options, and Tranche C had a term of 364 days with an extension option of 364 days. Tranche C was fully repaid in April 2006 after the IPO.

In March and in November 2007, the Group exercised the extension option (two times one year) for the credit facility. Consequently, the repayments in semi-annual installments of Tranche A are equal to 6.22% of the original nominal amount from January 10, 2008 to July 10, 2011; to 7.12% of the original nominal amount on January 10, 2012; to 6.02% of the original nominal amount on July 10, 2012; and to 19.32% on January 10, 2013.

### ■ 7.5.2.2 - BANK LOAN TAKEN OUT IN MAY 2007

On May 21, 2007 the Group took out a bank loan in the amount of €220 million with French financial institutions. This loan is for a period of six years and four months ending on September 21, 2013, and interest is payable at a floating-rate 45 basis points above the 3-month Euribor.

### ■ 7.5.2.3 - 8.5% YANKEE BOND ISSUE

On February 14, 1995, Legrand France issued on the US market \$400.0 million principal amount of 8.5% fixed-interest debentures redeemable on February 15, 2025 (the "Yankee Bonds"). Interest on these bonds is payable in arrears on February 15 and August 15 of each year, with the first payment made on August 15, 1995.

The bonds are not subject to any amortization and cannot be redeemed before maturity unless there is a change in the law that requires other payments in addition to principal and interest. If Legrand France were legally unable to make these additional payments, early redemption would in general be required. If the law allowed payment of such additional amounts, Legrand France could, at its own initiative, redeem the entire issue, and only the entire issue. Individual bondholders may also, at their request, require Legrand France to redeem their bonds early in the event of a hostile change in the control of the Company.

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## MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2008

### Off Balance sheet commitments

At the same time as it issued these bonds, Legrand France signed an interest-rate swap contract which ended in February 2008.

#### ■ 7.5.2.4 - UNUSED CREDIT LINES

At December 31, 2008, Legrand had access to:

- drawdown capacity of €323.9 million on Tranche B (revolving facility) of the 2006 Credit Facility, considering the swingline

facility intended to cover borrowings under the Group's commercial paper program (representing €11.7 million as of December 31, 2008);

- two new facilities set up in the fourth quarter of 2008:
  - 125.0 million two-year facility, and
  - €50.0 million one-year facility, with a possible extension of one more year.

## ■ 7.6 - CAPITAL EXPENDITURE

From 1990 to 2003, Legrand appropriated an average of 8% of annual consolidated net sales per year to capital expenditure (this figure does not include capitalized development expenses, which were not recorded at that time). Historically, annual capital expenditures have varied between 4% and 12% of consolidated net sales over the last 20 years with year-to-year variations resulting from the cyclical nature of investment requirements. In 2008, capital expenditure and capitalized development expenses as a percentage of consolidated net sales amounted to 3.8% (compared with 4.2% in 2007 and 4.1% in 2006). This decrease in capital expenditure compared to historical levels is the result of a structural change which in 2008 led to continuing

initiatives to optimize productivity and capital employed, including a systematic application of a "make or buy" approach, the transfer of certain production activities to low-cost, less capital-intensive countries, internationalization of purchasing, optimization of manufacturing facilities, and outsourcing of production. The effects of these measures were partly offset by the capitalization of some development costs pursuant to IAS 38. In 2008, capital expenditure nonetheless reached an historical low point due to the combination of the structural changes just referred to, the cyclical nature of new product launches and the impact of restructuring initiatives.

## ■ 7.7 - OFF BALANCE SHEET COMMITMENTS

The Group does not have any off balance sheet arrangements that have or can be considered reasonably likely to have a current or future impact on its finances, changes in its finances, revenues, expenses, results, operating income, cash, capital expenditure

or capital reserves, and that would be material to investors. See note 22 to the consolidated financial statements shown in chapter 11 of this reference document. There is no significant off balance sheet commitment related to acquisitions.



## 7.8- CONTRACTUAL OBLIGATIONS

The following table summarizes the Company's contractual obligations, commercial commitments and principal maturity dates on a consolidated basis as of December 31, 2008.

As of December 31, 2008 (in € millions)	Payments due by period				
	Total	< 1 year	1 – 3 years	4 – 5 years	> 5 years
Borrowings	2,397.5	398.8	324.0	1,351.8	322.9
Capital lease obligations	24.0	2.5	4.7	3.8	13.0
<b>TOTAL CONTRACTUAL OBLIGATIONS</b>	<b>2,421.5.</b>	<b>401.3</b>	<b>328.7</b>	<b>1,355.6</b>	<b>335.9</b>

## 7.9- VARIATIONS IN EXCHANGE RATES

A significant number of the Group's foreign subsidiaries operate in countries outside the euro zone. In 2008, nearly 43% of the Group's net sales were denominated in currencies other than the euro (in particular the US dollar). As a consequence, the Group's consolidated operating income has been and could in the future be significantly affected by variations in exchange rates between the euro and such other currencies.

In order to prepare the consolidated financial statements, the Group must convert assets, liabilities, income and expenses that are recognized in other currencies into euros. Variations in foreign currency exchange rates affect such items in the Group's consolidated financial statements, even if the value of the item remains unchanged in its original currency. To the extent that the Group incurs expenses that are not denominated in the same currency as the related revenues, changes in foreign exchange rates could cause the Group's expenses to increase as a percentage of net sales, affecting its profitability and cash flows.

The Group uses end-of-period exchange rates for the translation of balance sheet data and period average exchange rates for the translation of income statement and cash flow data. In translating financial statements of subsidiaries operating in inflationary economies, non-monetary assets are recorded at historical rates of exchange, and gains or losses arising from the translation of the financial statements of such subsidiaries are included in the consolidated income statement under "Exchange and translation gains (losses)."

The following table shows, for the periods and dates indicated, noon buying rate information for euro/US dollar exchange rates from 2004 through 2008 expressed in US dollars per euro. This exchange rate information is provided as an indication only and does not represent the exchange rates used by Legrand in the preparation of its consolidated financial statements.

(euro per US dollar)	Period-end rate	Average rate <sup>(1)</sup>	High	Low
2004	0.74	0.80	0.85	0.73
2005	0.84	0.80	0.86	0.74
2006	0.76	0.80	0.85	0.75
2007	0.68	0.73	0.78	0.67
2008	0.71	0.68	0.76	0.63

(1) The average rate for the euro is calculated as the average of the month-end figures for the relevant year-long period or the average of the noon buying rates on each business day for the relevant month-long period.



## MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2008

### Summary of critical accounting policies

Natural hedges are achieved, whenever management deems it appropriate, through the matching of financing costs to operating revenues in each of the principal currencies in which the Group operates.

The Group periodically enters into foreign currency contracts to hedge certain commitments, transactions and foreign income.

In recent years, the hedging transactions the Group has entered into have principally involved certain intra-group sales between major foreign subsidiaries denominated in these subsidiaries' respective local currencies. The Group does not currently hedge the net cash assets of its subsidiaries.

## 7.10 - QUANTITATIVE AND QUALITATIVE DISCLOSURES RELATING TO FINANCIAL RISKS

Legrand's exposure to financial risk mainly concerns the following areas:

- interest-rate risk;
- exchange-rate risk;
- commodity risk;
- credit risk; and
- liquidity risk.

The Group's cash management strategy is based on overall financial risk management principles and involves taking specific measures to manage the risks associated with interest-rates, exchange-rates, commodity prices and the investment of available cash. The Group does not conduct trading in financial instruments, in line with its policy of not carrying out any

speculative transactions. All transactions involving financial instruments are conducted with the sole purpose of managing interest-rate, exchange-rate and commodity risks, and as such are limited in duration and amount.

This strategy is centralized at Group level. Its implementation is deployed by the Financing and Treasury department which recommends appropriate measures and implements these after they have been validated by the Corporate Finance Department and Group senior management. A detailed reporting system has been set up to permit permanent tracking of the Group's positions and effective oversight of the management of financial risks.

A detailed description of risks and Legrand's risk management appears in note 23 to the consolidated financial statements shown in chapter 11 of this reference document.

## 7.11 - SUMMARY OF CRITICAL ACCOUNTING POLICIES

The accounting policies described below are those the Company considers critical in preparing its consolidated financial statements:

- intangible assets;
- fair value of financial instruments;
- financial and commodity market derivatives;
- accounting for stock option plans;
- employee benefits;

- deferred taxes; and
- use of estimates.

These policies include significant estimates made by management using information available at the time the estimates are made. A more detailed description of the significant accounting policies used by the Company in preparing its consolidated financial statements is included in note 1 to the consolidated financial statements shown in chapter 11 of this reference document.

## 7.12 - NEW IFRS PRONOUNCEMENTS

In 2008, standards and interpretations published by the IASB but not compulsory at December 31, 2008 were as follows:

- IFRS 8 - Operating Segments;
- IAS 23 - Borrowing costs;
- IFRS 2, amended - Share-based Payment;
- IAS 1, revised - Presentation of Financial Statements;
- IFRS 3, revised - Business Combinations;

- IAS 27, revised - Consolidated and Separate Financial Statements; and
- IAS 32, amended - Puttable Financial Instruments and Obligations Arising on Liquidation

Summaries of these publications and their possible consequences as regards the financial information provided by the Group are presented in note 1 to consolidated financial statements shown in chapter 11 of this reference document.

## 7.13 - TRENDS AND PROSPECTS

In 2008 the responsiveness of Legrand teams enabled us to post solid performances. Over the year as a whole, sales were up 1.8% or 4.1% excluding exchange-rate effects, and adjusted operating margin represented 16.6% of sales, or 17.7% excluding restructuring charges, figure identical to that in 2007.

Action initiated from the beginning of 2008 to adapt our group structure to new market conditions resulted in:

- trimming of the total workforce by 4% at constant structure;
- continuous adaptation of production capacity and inversion of the trend of SG&A expenses from a rise in the first half to a decline of 3.3% in the fourth quarter at constant scope of consolidation and exchange rates;
- optimization of free cash flow, which came to €430 million or 10.2% of sales for the year.

In addition, we have doubled the annual pace of our cost-cutting program from an annual average of €23 million to €48 million.

We can also count on the fundamentals of our business model, which include:

- 60% of sales derived from renovation and maintenance, a market which is by nature less subject to sudden variations than large project business;
- a proven track record in sales price management;
- healthy generation of free cash flow and solid long-term financing.

In 2009, in a highly uncertain environment that will make the Group's responsiveness a decisive strength, Legrand targets an adjusted operating margin, excluding restructuring expense estimated at €40 million, of between 14% and 16%. This objective includes a gross improvement equivalent to 4 points of margin, out of which 50% in reduction of fixed costs. The upper end of the range (16%) assumes the continuation of the 6.3% decline in sales at constant scope of consolidation and exchange rates observed in the fourth quarter of 2008, while the lower end (14%) assumes that the pace of decline will double and thus reach 13%.

We remain confident in the structural attractiveness of our markets, and are thus pursuing innovation with a view to lasting reinforcement of our commercial positions.

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**MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2008**

Table of consolidated financial results over the last five years

## 7.14 - TABLE OF CONSOLIDATED FINANCIAL RESULTS OVER THE LAST FIVE YEARS

<i>(in € millions except number of shares, earnings per share and number of employees)</i>	2004	2005	2006	2007	2008
<b>END OF PERIOD SHARE CAPITAL</b>					
Share capital	759.4	759.4	1,078.8	1,083.9	1,051.3
Number of shares <sup>(1)</sup>	759,350,900	759,350,900	269,693,376	270,975,739	262,815,128
<b>EARNINGS</b>					
Net sales	2,926.3	3,247.9	3,736.8	4,1286.8	4,202.4
Earnings before tax, depreciation and amortization	350.0	449.0	581.5	813.5	712.0
Income tax	(46.6)	(89.8)	(82.9)	(175.0)	(143.4)
Net earnings	(28.0)	103.8	255.2	422.6	351.5
Dividends paid			110.6	133.1	180.0
<b>EARNINGS PER SHARE</b>					
Earnings before tax, depreciation and amortization <sup>(2)</sup>	0.46	0.59	2.35	3.06	2.77
Net earnings <sup>(2)</sup>	0.04	0.14	1.03	1.59	1.37
Dividend per share			0,41	0.50	0.70
<b>EMPLOYEES</b>					
End of period number of employees	24,775	30,237	30,706	33,656	31,596
Personnel costs	860.6	920.3	1,007.4	1,066.9	1,082.0

(1) At the General Meeting of February 24, 2006, shareholders decided to carry out a 1-for-4 reverse stock-split.

(2) Earnings per share are calculated on the basis of the average number of ordinary shares outstanding during the year, i.e. 759,350,900 shares in 2004 and 2005, 247,218,622 shares in 2006, 265,729,265 shares in 2007 and 256,389,092 in 2008.

## 8

## CORPORATE GOVERNANCE

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## CORPORATE GOVERNANCE

Administration and management of the Company

# 8.1 - ADMINISTRATION AND MANAGEMENT OF THE COMPANY

## 8.1.1 - Board of Directors

The Company is managed by a Board of Directors. The Board is currently composed of 11 members, and members' terms of office last six years. The Company has three specialized committees, the purpose of which is to assist the Board of

Directors in preparing its deliberations. These committees are the Audit Committee, the Nominating and Compensation Committee and the Strategy Committee.

### 8.1.1.1 - MEMBERS OF THE BOARD OF DIRECTORS

The table below sets forth information about the Company's Directors. A list of other positions held by each Director at the registration date of this reference document appears on page 237.

#### Gilles Schnepf

Age 50  
128, avenue du Maréchal de  
Lattre de Tassigny  
87000 Limoges  
France

Gilles Schnepf has been a member of the Company's Board of Directors since 2002 and the Company's Chairman and Chief Executive Officer since 2006. He is also the Chairman and Chief Executive Officer of Legrand France. Upon graduating from the École des Hautes Études Commerciales (HEC), he started his career at Merrill Lynch France where he became a Vice President. He then joined Legrand in 1989 as Deputy Chief Financial Officer. He became Company Secretary of Legrand France in 1993, Chief Financial Officer in 1996, and Chief Operating Officer in 2000.

#### Olivier Bazil

Age 62  
128, avenue du Maréchal de  
Lattre de Tassigny  
87000 Limoges  
France

Olivier Bazil has been Director of Legrand France since 1988 and a Director of the Company since 2002. After finishing his studies at the École des Hautes Études Commerciales (HEC) and Harvard Business School, he joined the Company in 1973 as a Deputy to the Company Secretary, responsible for financial information and development of the Group's growth strategy. In 1979, he became Chief Financial Officer of Legrand France and became Deputy Chief Operating Officer in 1993 and Vice-Chairman and Chief Operating Officer in 2000.

#### Mattia Caprioli

Age 35  
Stirling Square  
7 Carlton Gardens  
London SW1Y 5AD  
United Kingdom

Mattia Caprioli is a Director of Kohlberg Kravis Roberts & Co., based in London. He has been actively involved in the investments of Alliance Boots, AVR/Van Gansewinkel, Legrand, Pages Jaunes Groupe, Selenia and Toys R Us. He is a member of the Board of Directors of Alliance Boots. He is responsible for developing KKR's business in Italy. Before joining KKR in 2001, he worked at Goldman Sachs International in London, handling mergers, acquisitions and financings in a variety of industries. He holds a Master's of Science, Summa Cum Laude, from L. Bocconi University in Milan, Italy. He has been a Director of the Company since 2007.

#### Arnaud Fayet

Age 67  
89, rue Taitbout  
75009 Paris  
France

Arnaud Fayet joined the Wendel group in 1995 and was head of business development. He is a member of the Board of Directors of Stallergènes. Between 1991 and 1995, Arnaud Fayet served as Chief Executive Officer, then Executive Vice President and member of the Board of Directors of Carnaud Metalbox. Arnaud Fayet was Executive Director of DMC and Société Générale de Fonderie after spending five years at McKinsey. Arnaud Fayet holds a degree from École Centrale and an MSc from Stanford University. He has been a Director of the Company since 2002.

#### Jacques Garaïalde

Age 52  
Stirling Square  
7, Carlton Gardens  
London SW1Y 5AD  
United Kingdom

Jacques Garaïalde has been an Executive of KKR since 2003. Effective January 1, 2004, Jacques Garaïalde became a partner of the company that serves as the general partner of KKR. Prior to joining KKR, Jacques Garaïalde was a partner at Carlyle, in charge of Europe Venture Partners Fund. From 1982 to 2000, he worked at the Boston Consulting Group where he was the Managing Partner in charge of Belgium (1992-1995), then in charge of France and Belgium (1995-2000). Between 1979 and 1981, he held various positions at Esso France. Jacques Garaïalde also serves as a Director of Nexans, Pages Jaunes Groupe, Tarkett, Société d'Investissement Familiale (SIF), and Médiannuaire Holding. Jacques Garaïalde received his MBA from INSEAD (Fontainebleau) and is a graduate of École Polytechnique. He has been a Director of the Company since 2003.

#### Edward A. Gilhuly

Age 49  
245 Lytton Avenue  
Suite 250  
Palo Alto, CA 94301  
United States

Edward A. Gilhuly is a founding partner of Sageview Capital LP. He was an executive of KKR between 1986 and 2005 and a partner of the company that serves as the general partner of KKR between 1996 and 2005. Mr. Gilhuly is a Director of MedCath Corporation, Duke Management Company and the California Academy of the Sciences. Mr. Gilhuly holds a BA from Duke University and an MBA from Stanford University. He has been a Director of the Company since 2002.

<b>François Grappotte</b> Age 72 128, avenue du Maréchal de Lattre de Tassigny 87000 Limoges France	After graduating from the École Nationale d'Administration (ENA), François Grappotte started his career at the Ministry of Industry and at the Treasury Division (Direction du Trésor) of the Ministry of the Economy and Finance. In 1970, he joined Banque Rothschild, serving successively as Assistant Director, Deputy Director and Director. In 1973, he joined Compagnie Electro Mécanique where he served as Company Secretary, then CEO and Vice-Chairman/CEO. Mr. Grappotte joined Legrand in 1983 as Chief Executive Officer and became Chairman and Chief Executive Officer in 1988. Mr. Grappotte also serves as a Director of BNP Paribas (France) and a Member of the Supervisory Board of Établissements Michelin (France). He has been a Director of the Company since 2002.
<b>Gérard Lamarche</b> Age 47 16 rue de la Ville l'Evêque 75008 Paris France	Gérard Lamarche was appointed Executive Vice President of GDF SUEZ and Chief Financial Officer in July 2008. He started his career in 1983 with Deloitte Haskins & Sells in Belgium, then became a consultant in mergers and acquisitions in the Netherlands in 1987. In 1988, Mr. Lamarche joined Société Générale in Belgium as Investment Manager, Controller from 1989 to 1991 and advisor on strategic operations from 1992 to 1995. He joined Compagnie Financière de Suez as Chargé de mission with the Chairman and Secretary of the Executive Committee (1995-1997), then participated in the merger between Compagnie de Suez and Lyonnaise des Eaux, which became Suez Lyonnaise des Eaux (1997), before being granted the position of Deputy Manager in charge of Planning, Control and Accounting and secretary to the Investment Committee (1997-2000). Gérard Lamarche continued his career in industry by joining NALCO (US subsidiary of the Suez group – world leader in industrial water treatment) in 2000 as Managing Director in charge of Finance. In March 2004, he was appointed Senior Executive Vice President in charge of Finance of the Suez group with responsibility for Financial Operations, Cash Flow, Tax, Planning, Accounting and Control sections. Gérard Lamarche is a graduate in Economics of the university of Louvain-La-Neuve and of the Institut du Management of INSEAD (Advanced Management Program for Suez Executives). He was also trained by Wharton International (Forum-Global Leadership Series). He has been a Director of the Company since 2006.
<b>Jean-Bernard Lafonta*</b> Age 47 89, rue Taitbout 75009 Paris France	Jean-Bernard Lafonta has been Chairman of the management board of Wendel since 2005. He joined Groupe Wendel in 2001. Jean-Bernard Lafonta has held various positions in the French government, including in ministerial cabinets. He was a member of the mergers and acquisitions team at Lazard. In 1996, he became Strategic Director before becoming Head of Capital Markets at BNP Paribas and then Chairman and Chief Executive Officer of Banque Directe and a member of the Executive Committee of BNP Paribas. Mr. Lafonta is also a member of the supervisory board of Bureau Veritas. Jean-Bernard Lafonta is a graduate of École Polytechnique. He has been a Director of the Company since 2002.
<b>Thierry de La Tour d'Artaise</b> Age 54 Chemin du Petit Bois – BP 172 69134 Ecully Cedex France	Between 1979 and 1983, Thierry de La Tour d'Artaise was an Audit Manager with Coopers & Lybrand. In 1983, he was appointed Head of Internal Audit at Groupe Chargeurs SA. Thierry de La Tour d'Artaise then served as Chief Administrative and Financial Officer (1984-1986) and Chief Executive Officer (1986-1993) of Croisières Paquet and then joined the SEB Group as Chief Executive Officer (1994-1996) and Chairman and Chief Executive Officer (1996-1998) of Calor SA. He was appointed Deputy Chairman and Chief Executive Officer of the SEB group in 1999 and Chairman and Chief Executive Officer of the SEB Group from 2000. Thierry de La Tour d'Artaise is a graduate of École Supérieure de Commerce de Paris and is a chartered accountant. He has been a Director of the Company since 2006.
<b>Ernest-Antoine Seillière</b> Age 71 89, rue Taitbout 75009 Paris France	Ernest-Antoine Seillière is the Chairman of the Supervisory Board of Wendel. In 1969, Ernest-Antoine Seillière was a member of the cabinet of French Prime Minister Jacques Chaban-Delmas. He then served as a member of the cabinets of Pierre Messmer, Maurice Schumann and Robert Galley. He joined Wendel in 1976. Ernest-Antoine Seillière is the Honorary Chairman of SLPS (the company belonging to the members of the Wendel family), Chairman of the Board of Directors of Oranje Nassau and a member of the Supervisory Board of Bureau Veritas. He was Chairman of Medef (Mouvement des Entreprises de France) from 1997 to 2005 and is currently the Chairman of Business Europe. Mr. Seillière graduated from École Nationale d'Administration (ENA), and lectured for a year at Harvard University's Center for International Affairs. He has been a Director of the Company since 2002.

\* Mr. Jean-Bernard Lafonta informed Legrand of his decision to resign as Director with effect from May 5, 2009. Plans call for the Board meeting to be held on that date to coopt Mr. Frédéric Lemoine, Chairman of the Management Board of Wendel, to replace Mr. Lafonta. Shareholders will be asked to ratify Mr. Lemoine's appointment at the Combined Ordinary and Extraordinary General Meeting to be held on May 26.

To the Company's knowledge, there are no family relationships between any of the Company's Directors.

In addition, to the Company's knowledge, no Director of the Company:

- has been convicted of fraud within the last five years;
- has been associated with any bankruptcy, receivership or liquidation within the last five years;

- has been the subject of any official public incrimination or sanctions by statutory or regulatory authorities (including designated professional organizations);
- has been disqualified by a court from serving as a member of an administrative, management or supervisory body of any issuer or from participating in the management or conduct of the business of any issuer within the last five years.



## 8.1.2 - General Management of the Company

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Gilles Schnepf is responsible for the general management ("*Direction Générale*") of the Company. Mr. Schnepf is also the Chairman of the Company's Board of Directors and was appointed as such on March 17, 2006.

See section 8.1.1.1 of this reference document for more information about Gilles Schnepf.

## 8.1.3 - Conflicts of interest

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To the Company's knowledge, neither Mr. Schnepf nor Mr. Bazil is in a position of conflict of interest with respect to the Company.

Ernest-Antoine Seillère and Jean-Bernard Lafonta are Directors of the Company and of Wendel, one of the Company's principal shareholders. To the Company's knowledge, neither Mr. Seillère nor Mr. Lafonta is in a position of conflict of interest with respect to the performance of their duties.

Mattia Caprioli, Jacques Garaïalde and Edward Gilhuly, representing KKR; Mr. Arnaud Fayet, representing Wendel; and Mr. François Grappotte are Directors of the Company. To

the knowledge of the Company, none of these persons is in a position of conflict of interest with respect to the performance of their duties.

Gérard Lamarche and Thierry de La Tour d'Artaise meet the independence criteria and are therefore not in a position of conflict of interest with respect to the performance of their duties as Director.

As of the registration date of this reference document and to the knowledge of the Company, there is no other situation which might give rise to a conflict of interest between the personal affairs of the Directors of the Company and the interests of the Company.

## 8.1.4 - Service Contracts

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At the registration date of this reference document and to the Company's knowledge, there are no service contracts providing for benefits and binding on members of the Company's

administrative bodies or management to the Company or one of its subsidiaries.

## 8.2 - REMUNERATION AND BENEFITS

### 8.2.1 - Remuneration and benefits of the Company's officers

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The tables below set out all the components of compensation due and paid to Mr. Gilles Schnepf, Chairman of the Board of Directors and Chief Executive Officer, and Mr. Olivier Bazil, Vice-Chairman and Chief Operating Officer, in respect of the 2007 and 2008 financial years.

The details of Company policies relating to the Afep/Medef code of corporate governance, in particular as regards the recommendations of October 2008 on compensation of corporate officers are set out in section 8.4 of this reference document.



■ 8.2.1.1 - REMUNERATION AND BENEFITS IN FAVOR OF CORPORATE OFFICERS

Table 1 – Summary of remuneration and stock options and shares allotted to each corporate officer (in euros)

	2007	2008
<b>Gilles Schnepf, Chairman and Chief Executive Officer</b>		
Remuneration <b>due in respect of</b> the financial year (detailed in Table 2 below)	1,115,600	962,500
Value of options <b>allocated in the course</b> of the year (detailed in Table 4 below)	367,927	377,432
Value of free shares <b>allocated in the course</b> of the year (detailed in Table 6 below)	326,375	455,573
Value of options <b>allocated in respect</b> of the financial year (detailed in Table 4 below)	377,432	140,553
Value of free shares <b>allocated in respect</b> of the financial year (detailed in Table 6 below)	455,573	142,002
<b>Olivier Bazil, Vice Chairman and Chief Operating Officer</b>		
Remuneration <b>due in respect of</b> the financial year (detailed in Table 2 below)	1,061,400	917,200
Value of options <b>allocated in the course</b> of the year (detailed in Table 4 below)	347,980	356,970
Value of free shares <b>allocated in the course</b> of the year (detailed in Table 6 below)	308,665	430,887
Value of options <b>allocated in respect</b> of the financial year (detailed in Table 4 below)	356,970	132,882
Value of free shares <b>allocated in respect</b> of the financial year (detailed in Table 6 below)	430,887	134,252

Table 2 – Breakdown of remuneration for each corporate officer (in euros)

	2007		2008	
	Amount paid	Amount due	Amount paid	Amount due
<b>Gilles Schnepf, Chairman and Chief Executive Officer</b>				
Fixed salary	498,000	498,000	550,000	550,000
Bonus <sup>(1)</sup>	416,294	597,600	597,600	392,500
Exceptional bonus	-	-	-	-
Attendance fees	20,000	20,000	20,000	20,000
Benefits in kind <sup>(2)</sup>	3,808	-	3,919	-
<b>TOTAL</b>	<b>938,102</b>	<b>1,115,600</b>	<b>1,171,519</b>	<b>962,500</b>
<b>Olivier Bazil, Vice-Chairman and Chief Operating Officer</b>				
Fixed salary	471,000	471,000	520,000	520,000
Bonus <sup>(1)</sup>	393,792	565,200	565,200	372,000
Exceptional bonus	-	-	-	-
Attendance fees <sup>(3)</sup>	25,200	25,200	25,200	25,200
Benefits in kind <sup>(2)</sup>	3,667	-	4,380	-
<b>TOTAL</b>	<b>893,659</b>	<b>1,061,400</b>	<b>1,114,780</b>	<b>917,200</b>

(1) The principles applied for the calculation of bonuses are described in section 8.4.4 of this reference document.

(2) Company car and cellphone.

(3) Total attendance fees received from the Company and its subsidiary Bticino in Italy.

Travel expenses paid by the Company for Mr. Gilles Schnepf and Mr. Olivier Bazil amounted to €38,660 and €77,478, respectively, in 2008, and to €64,397 and €82,477, respectively, in 2007.



## CORPORATE GOVERNANCE

### Remuneration and benefits

#### 8.2.1.2 - BREAKDOWN OF STOCK OPTIONS AND FREE SHARES GRANTED TO CORPORATE OFFICERS

Company plans for the grant of options to purchase or subscribe to shares are described in section 9.2 of this reference document.

Grants of options and free shares in 2007 and 2008 were based on performance in the 2006 and 2007 financial years.

As regards 2008, at the beginning of that year the Board of Directors defined targets based on economic results. Mr. Gilles Schnepf and Mr. Olivier Bazil benefited from allocations of stock options and free shares defined at the meeting of the Board of Directors on March 4, 2009 according to achievement of defined targets. These amounted to 48,300 options and 12,075 free shares for Mr. Gilles Schnepf and 45,664 options and 11,416 free shares for Mr. Olivier Bazil (see chapter 9 of this reference document).

**Table 4 – Options for the subscription or purchase of shares awarded by the Company and its subsidiaries to each corporate officer during the year**

Corporate officer	Plan date and number <sup>(1)</sup>	Nature of options (for purchase or subscription)	Valuation of options on the basis of methods used for consolidated accounts	Number of options awarded during the year	Exercise price	Exercise period
Gilles Schnepf	03/05/2008	Purchase or subscription	377,432	72,583	€20.58	03/06/2012 - 03/06/2018
Olivier Bazil	03/05/2008	Purchase or subscription	356,970	68,648	€20.58	03/06/2012 - 03/06/2018
<b>TOTAL</b>			<b>734,402</b>	<b>141,231</b>		
<b>Options for the subscription or purchase of shares awarded in respect of the 2008 financial year</b>						
Gilles Schnepf	03/04/2009	Purchase or subscription	140,553	48,300	€13.12	03/05/2013 - 03/05/2019
Olivier Bazil	03/04/2009	Purchase or subscription	132,882	45,664	€13.12	03/05/2013 - 03/05/2019
<b>TOTAL</b>			<b>273,435</b>	<b>93,964</b>		

(1) Plan for a duration of 10 years.

**Table 5 – Options for the subscription or purchase of shares exercised by each corporate officer during the year**

Corporate officer	No. and date of plan	Number of options exercised during the year	Exercise price
Gilles Schnepf	No.: Date:	Nil	N/A
Olivier Bazil	No.: Date:	Nil	N/A

**Table 6 – Free shares awarded by the Board of Directors during the year by the Company and its subsidiaries to each corporate officer**

Corporate officer	No. and date of plan	Number of shares allotted in the year	Valuation of shares on the basis of methods used for consolidated accounts	Vesting date	Exercisable from	Performance conditions
Gilles Schnepf	03/05/2008	24,194	455,573	03/06/2010	03/07/2012	(1)
Olivier Bazil	03/05/2008	22,883	430,887	03/06/2010	03/07/2012	(1)
<b>TOTAL</b>		<b>47,077</b>	<b>886,460</b>			
<b>Free shares awarded in respect of the 2008 financial year</b>						
Gilles Schnepf	03/04/2009	12,075	142,002	03/05/2011	03/06/2013	(1)
Olivier Bazil	03/04/2009	11,416	134,252	03/05/2011	03/06/2013	(1)
<b>TOTAL</b>		<b>23,491</b>	<b>276,254</b>			

(1) Award subject to the conditions of performance described in section 8.4.4.1 of this reference document.

**Table 7 – Performance shares vested in the name of each corporate officer during the year**

Corporate officer	No. and date of plan	Number of shares vested during the year	Vesting conditions <sup>(1)</sup>
Gilles Schnepf	No.: Date:	Nil	N/A
Olivier Bazil	No.: Date:	Nil	N/A

(1) Corporate officers have already each substantially invested in the Company's share capital and are already subject to the requirement to hold at least 30% of all shares acquired (including stock options and free allotments) as long as they remain in office (see section 8.4.4.1 of this reference document).



■ **8.2.1.3 - REMUNERATION AND BENEFITS DUE ON TERMINATION OF CORPORATE OFFICERS' POSITIONS**

Corporate officer	Contract of employment		Supplementary pension entitlement <sup>(1)</sup>		Indemnities or benefits due or which may become due as a result of termination or change of office <sup>(3)</sup>		Indemnities relating to non-competition clause <sup>(2)</sup>	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>Gilles Schnepf</b>								
Chairman and CEO								
Commencement: 05/22/2008								
Expiration: 12/31/2013								
		X	X			X	X	
<b>Olivier Bazil</b>								
Vice-Chairman and COO								
Commencement: 05/22/2008								
Expiration: 12/31/2013								
	X		X			X	X	

- (1) In 2001, the Legrand Group entered into an agreement with an insurance company for the provision of services relating to pensions, retirement and services of a related nature to the members of the Group Executive Committee benefiting from the French pension system for salaried workers. At December 31, 2008, the Group's commitment in connection with this agreement amounted to approximately €14.8 million, of which approximately €4.2 million was financed, while the remaining €10.6 million is the object of a provision in the accounts. The Executive Committee has eight members, including the two corporate officers. Supplementary pension entitlements are calculated to set total pensions, including these supplementary entitlements and all other amounts received after retirement, at the equivalent of 50% of the average of the two highest amounts of compensation received by the beneficiaries in their last three years with the Group. To benefit from the supplementary pension, employees must have been with the Group for at least ten years and have reached the age of 60 on retirement. In the event of the beneficiary's death, the Group will pay the surviving spouse 60% of the supplementary pension. In the case of Mr. Gilles Schnepf and Mr. Olivier Bazil, their potential entitlements at their retirement represent 1% of the remuneration (fixed salary and bonuses) and per year of presence within the Group.
- (2) Mr. Gilles Schnepf is subject, in connection with his status as a corporate officer and at the sole initiative of the Company, to a duty not to compete for a period of two years. In consideration of this, should the Company decide to impose the obligation, Mr. Gilles Schnepf would receive a monthly indemnity equal to 50% of his average monthly compensation, including salary and bonuses, in his last 12 months with the Company. Mr. Olivier Bazil is subject to the restrictions of the standard non-competition clause provided for in the collective labor agreement for French metal industries ("Convention Collective de la Métallurgie"). The decision to implement this clause is at the sole initiative of the Company. Should the Company so decide, this would entail the payment to Mr. Olivier Bazil of an indemnity equal to 50% of his reference compensation (fixed salary and bonuses) over a period of at most two years.
- (3) The collective labor agreement for French metal industries (Convention Collective de la Métallurgie) and company-level agreements applying within the Group also provide for the payment to all Group employees of an indemnity on retirement proportional to the length of their employment with the Group. These provisions would apply to Mr. Olivier Bazil if applicable conditions were satisfied on his retirement. As an example, an executive level employee (cadre) with 30 to 39 years of seniority would receive a retirement indemnity equal to four months' salary.

## 8.2.2 - Remuneration of non-executive Directors

The table below details fees paid to Directors during the 2007 and 2008 financial years in respect of their attendance at meetings in the previous financial year. The amount of fees is adjusted according to actual attendance at meetings of the Board of

Directors and, in the case of committee members, at meetings of Board committees.

Table 3 – Attendance fees and other payments to non-executive Directors

Non-Executive Directors	Amounts paid in the 2007 financial year	Amounts paid in the 2008 financial year
<b>Mattia Caprioli<sup>(1)</sup></b>		
Attendance fees	-	15,000
Other payments	-	-
<b>Arnaud Fayet</b>		
Attendance fees	22,500	21,500
Other payments	-	-
<b>Jacques Garaïalde</b>		
Attendance fees	30,000	30,000
Other payments	-	-
<b>Edward Gilhuly</b>		
Attendance fees	19,500	20,500
Other payments	-	-
<b>François Grappotte</b>		
Attendance fees	19,000	19,000
Other payments	-	-
<b>Henry Kravis<sup>(2)</sup></b>		
Attendance fees	15,000	-
Other payments	-	-
<b>Jean-Bernard Lafonta</b>		
Attendance fees	26,500	26,500
Other payments	-	-
<b>Gérard Lamarche</b>		
Attendance fees	30,500	31,500
Other payments	-	-
<b>Thierry de La Tour d'Artaise</b>		
Attendance fees	18,000	19,000
Other payments	-	-
<b>Ernest-Antoine Seillière</b>		
Attendance fees	17,000	19,000
Other payments	-	-
<b>TOTAL</b>	<b>198,000</b>	<b>202,000</b>

(1) Director co-opted on July 25, 2007 and cooption ratified at the General Meeting of May 22, 2008.

(2) Director having resigned on July 25, 2007.

At its meeting on February 10, 2009, the Board of Directors approved the payment of attendance fees totaling €278,000 in respect of the 2008 financial year.



## 8.2.3 - Shareholding by corporate officers

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See section 10.1.2.3 of this reference document.

## 8.2.4 - Other benefits granted to corporate officers

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The Company has not granted any loan, advance or guarantee to any of its officers.

## 8.2.5 - Provisions and charges recognized on the accounts of the Company or its subsidiaries in connection with payments of retirement benefits, pensions and other benefits

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In addition to provisions required by law, the Company has established a provision of €10.6 million in connection with the agreement between Legrand France and an insurance company for the provision of services relating to pensions, retirement

and services of a related nature to the members of the Group Executive Committee benefiting from the French pension system for salaried workers.

# 8.3 - OPERATION OF ADMINISTRATIVE AND MANAGEMENT BODIES

## 8.3.1 - Operation of administrative bodies

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The Company endeavors to comply with corporate governance principles as defined by applicable recommendations, except as such principles regard the number of independent Directors. Given the concentration of the shareholding of the Company, there must be two independent Directors on the Company's Board of Directors.

The Company's Board of Directors adopted internal regulations conforming to the Company's bylaws. The purpose of internal regulations is to supplement the Company's bylaws and to determine, within the context of legal, regulatory and statutory requirements, the composition, organization and functioning of the Board of Directors and its Committees, as well as the rights and obligations of the Company's Directors. The principal provisions of the internal regulations are described below (as amended by the Board of Directors on March 5, 2008).

### 8.3.1.1 - BOARD OF DIRECTORS

#### 8.3.1.1.1 - Missions and duties of the Board of Directors

The Board of Directors determines the broad lines of the Company's business activities and ensures their implementation. The Board reviews all issues concerning the operation of the Company and acts on all matters over which it has authority.

The Board's strategy and decisions are made within the context of the Company's sustainable development policy.

In particular, the Board of Directors is responsible for:

- evaluating and approving decisions of the Company and the Group with respect to the Company's strategic, economic, labor, financial and technology guidelines and ensuring that the Company's management implements them;

- for the transactions listed below, the Board either submits proposals to the shareholders for transactions which require shareholder approval, or, in those cases where the transactions fall within the powers delegated to management, authorizes the Chief Executive Officer (*Directeur général*) or Chairman, as the case may be, to enter into and implement such transactions:
  - the granting of any power or authorization relating to the issuance or buy-back of shares or equity-based securities,
  - the entry into or termination of borrowings, whether in the form of debt securities or otherwise, or the voluntary early repayment of all loans, advances or borrowings in an amount in excess of €100 million,
  - the creation of joint venture(s) or any acquisition of a business in an amount exceeding €100 million and the acquisition of any shareholding or business, or the entering into of any joint venture contract, where such transaction involves an amount in excess of €100 million,
  - the sale or transfer of asset(s) or business(es) in an amount in excess of €100 million and the disposal of any shareholding or businesses in an amount in excess of €100 million,
  - the annual budget and the approval of the Group's three-year business plan established by the Company and its subsidiaries,
  - the appointment, replacement or removal of any or all of the Company's Statutory Auditors,
  - mergers or proposed mergers concerning the Company, or more generally, any transaction regarding the transfer or disposal of all or substantially all of the Company's assets,
  - any transaction leading to a capital increase or decrease, including, as the case may be, through the issuance of equity-based securities (securities exchangeable, convertible or redeemable for shares of the Company, or preference shares), except for grants of bonus shares or stock options in the ordinary course of business,
  - the creation or termination of any double voting rights mechanism, or any modification of voting rights relating to shares in the Company,
  - changes to corporate governance, including any amendments to corporate governance rules applicable to the Company, including in particular any modifications to the composition and functioning of the Board of Directors, and more generally, any modification of the internal regulations,
  - proposed appointment of new members to the Board of Directors; any proposed appointment of one or more new Directors to the Board of Directors,
  - the listing of any financial instrument issued by the Company on a regulated market other than the Eurolist market of Euronext Paris,
- a declaration of bankruptcy, the appointment of an *ad hoc* authorized agent, liquidation, voluntary dissolution or amicable liquidation of the Company, and any decision that would result in insolvency proceedings (*procédure collective*) or the appointment of an *ad hoc* authorized agent,
- any proposed resolution to amend the Company's bylaws,
- the entry into any agreement or settlement, or the acceptance of any compromise, concerning any litigation where the amount in controversy exceeds €100 million, and
- the granting of a security interest in the Company's assets, where the secured commitment or the asset furnished as security involves an amount in excess of €100 million;
- examining and approving reports on the operations of the Board of Directors and its Committees to be included in the annual report;
- examining and approving, upon the recommendation of Nominating and Compensation Committee, the presentation of Directors to be included in the annual report, and in particular, the list of independent Directors and the criteria adopted;
- the appointment of temporary replacements (*cooptation*) of Directors, as necessary, and proposals for the appointment and reelection of Directors at the Annual Shareholders' Meeting;
- determining, upon the recommendation of the Nominating and Compensation Committee, the compensation of the Company's Chairman, Chief Executive Officer and Chief Operating Officers (*Directeurs généraux délégués*), and the allocation of Directors' fees (*jetons de présence*);
- upon the recommendation of the Nominating and Compensation Committee, approvals of all proposed stock option plans and grants of free shares, and, more generally, profit-sharing plans based on the results of the Group for Group managers and employees;
- supervision of the quality of information disclosed to the Company's shareholders and the market through the financial statements or in the event of significant transactions;
- approving the Management Report, as well as sections of the annual report dealing with corporate governance or presenting the Company's policy relating to compensation and stock option plans; and
- the review of any issues relating to the efficient operations of the Company and the Group.

### 8.3.1.1.2 - Composition of the Board of Directors

#### Number of Directors

The Company's Board of Directors may be composed of a maximum of 18 members, at least two of whom must be independent in accordance with the Company's internal regulations.

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## CORPORATE GOVERNANCE

### Operation of administrative and management bodies

Without prejudice to the rights of other shareholders, the Company's Board of Directors is initially composed of 11 Directors, including the Company's Chairman and Chief Executive Officer, Vice-Chairman and Chief Operating Officer and the Honorary Chairman, six shareholder representatives (three of whom were nominated by each of Wendel and KKR) and two independent Directors.

#### **Independent Directors**

##### **Membership of independent Directors**

The Board of Directors ensures that at least two of the Directors are independent. At the registration date of this reference document, Gérard Lamarche and Thierry de La Tour d'Artaise are independent Directors.

##### **Definition of independent Director**

A Director is considered to be independent if he or she has no relationship with the Company, its management or the Group which might compromise such Director's free judgment or create a conflict of interest with the Company, its management or the Group.

An independent Director may not:

- be, or have been within the last five years, an employee or officer of the Company or the Group or an employee or Director of a controlling shareholder (whether control is exercised alone or in concert within the meaning of article L.233-3 of the French Commercial Code) or of a consolidated company;
- be, or have been within the last five years, an officer of a company for which the Company, directly or indirectly, is a Director or for which a Company officer or employee is a Director;
- be a client, supplier, investment or corporate banker:
  - of significant importance to the Company or the Group,
  - or for which the Company or Group represents a significant portion of such person's business;
- have a close family relationship with a manager of the Company or the Group;
- have been an auditor of the Company or a Group company during the last five years;
- have been a manager of the Company or a Group company during the last five years;
- have been a Director of the Company for more than 12 years; or
- receive or have received significant additional compensation from the Company or the Group, excluding Directors' fees, including participation in any stock option plan or other performance-based compensation.

Directors that represent significant direct or indirect shareholders of the Company may be deemed to be independent if those shareholders do not control the Company within the meaning of article L.233-3 of the French Commercial Code. However, if a Director represents a shareholder that directly or indirectly holds more than 10% of the Company's share capital or voting rights, the Company's Board of Directors, upon a report from the Nominating and Compensation Committee, will investigate the independence of that Director while taking into account the composition of the Company's share ownership and potential conflicts of interest.

##### **Independent Director Qualification Procedure**

Director independence is reviewed by the Nominating and Compensation Committee, which prepares a report on this subject for the Board of Directors. Each year, before the Company's annual report is published, the Company's Board examines each Director's position with respect to the independence criteria defined above, using the Nominating and Compensation Committee's independence report as a reference.

The Company's Board must report its findings on Director independence to the Company's shareholders in the annual report.

#### **8.3.1.1.3 - Operations of the Board of Directors**

##### **Board meetings**

The Company's Board of Directors may meet as often as required in the interest of the Company, and in any event, must meet at least five times per year.

Notice of Board meetings may be given by letter, telex, telegram, fax, electronic mail or orally, and may be transmitted by the secretary of the Board.

If provided for in the meeting notice, Board meetings may be held by videoconference or by other electronic means of telecommunication or teletransmission, so long as such means satisfy technical characteristics which guarantee effective participation in the Board meeting and continuous transmission of the Board's deliberations. Directors participating in Board meetings using such means are deemed present for the purposes of quorum and majority requirements.

If one or more Directors notify the Chairman of the Board that they cannot attend a Board meeting, the Chairman must attempt to organize a Board meeting using the means described in the preceding paragraph.

Board meetings held by videoconference or by other electronic means cannot adopt certain decisions set forth by law.

The Chairman of the Board is required to comply with a five day notice period between the notification of a Board meeting and the meeting itself, taking into account the schedules of the Board members to ensure the presence of as many Directors as possible at each Board meeting.

An attendance register is maintained at the Company's registered office and contains the names of the Board members who were physically or otherwise present (e.g., by telecommunication or teletransmission), represented, excused or absent at each



meeting. Proxies granted by mail, fax, telex, telegram or electronic mail are annexed to the attendance register.

Deliberations of the Board are evidenced by minutes established, signed and maintained in accordance with regulatory requirements.

The minutes of each Board meeting include:

- the name of each Director present (either physically or by means of telecommunication or teletransmission), represented, excused or absent;
- the occurrence of any disruptive technical problem arising during a videoconference or teleconference;
- the name of other persons attending all or part of the Board meeting;
- a summary of the discussions and deliberations of the Board of Directors; and
- questions raised and the reservations of participating Directors, if any.

Upon the request of a Director, Board meeting notices and minutes are translated into English. However, such translations are made for information purposes only, and only the French version is binding.

#### **Evaluation of the Board of Directors**

At least once a year, a portion of a Board meeting agenda is devoted to reviewing the operations of the Board of Directors, which is thereafter described in the Company's annual report.

#### **Director Access to Information**

In order to allow Board members to carry out their duties effectively, the Chairman of the Board must provide each Director with all documents necessary to consider items on Board meeting agendas.

Directors may request any document they deem useful to prepare for a Board meeting, provided such request is made within a reasonable period of time before the date of the Board meeting.

Information files are delivered at the Board meeting itself when confidentiality considerations so require, particularly with respect to sensitive financial information.

In addition, Directors receive all useful information relating to significant events or operations of the Company between Board meetings.

#### **Remuneration**

Attendance fees (*jetons de présence*) allocated by the General Shareholders' Meeting are divided between Board members upon the proposal of the Nominating and Compensation Committee. The allocation of Directors' fees takes into account Directors' participation on the Board and its specialized committees.

#### **8.3.1.2 - COMMITTEES**

The Board of Directors has established specialized committees to facilitate the Board's work and the preparation of its discussions. The Committees consider issues falling within the scope of their competence and submit opinions, proposals and recommendations to the Board.

The three specialized standing committees are:

- the Audit Committee;
- the Nominating and Compensation Committee; and
- the Strategy Committee.

The Board appoints and removes committee members upon the recommendation of the Nominating and Compensation Committee. The Nominating and Compensation Committee was created before the other Board committees so that the Nominating and Compensation Committee could make recommendations regarding the membership of the other Board committees. The Audit Committee Chairman is an independent Director appointed upon the recommendation of the Nominating and Compensation Committee. The Strategy Committee Chairman is appointed upon the recommendation of the Nominations and Compensation Committee. The Nominating and Compensation Committee Chairman is appointed from among the members of the Committee by its members. Committee members are appointed for a term determined by the Board, which in no case can be for a longer duration than their term of office as a member of the Board of Directors.

Each Committee determines its annual meeting schedule, taking into account the schedules for Board meetings and General Shareholders' Meetings.

Each Committee meets as often as required to consider issues falling within its domain of competence upon convocation by the Chairman of the Committee or by half of its members. If the Chairman of the Board considers that a committee has not met as often as necessary, he may cause a Committee meeting to be convened. The Chairman may also convene a committee meeting if he deems it necessary for the committee to give an opinion or a recommendation to the Board on a specific topic.

The Chairman of each committee establishes the committee meeting agenda and gives notice of Committee meetings to committee and Board members within a period of time sufficient to allow each committee member to prepare for the meeting. The notice must contain the committee meeting agenda and all information and documentation useful to the examination of agenda items.

Committee meetings may be held at the Company's registered office or at any other location.

In performing its duties, each committee may contact the Company's principal executives after having informed the Chairman of the Board of Directors of its intention to do so and subject to briefing the Board of Directors on the exchange with such principal executives.

In addition to these permanent Committees, the Board of Directors may create one or more temporary or permanent *ad hoc* committees at any time, including with respect to conflicts of



## CORPORATE GOVERNANCE

### Operation of administrative and management bodies

interest. The Board is authorized to determine the composition and internal rules of such ad hoc committees.

Finally, the Chief Executive Officer may create an Executive Committee and determine its composition and area of competence.

#### 8.3.1.2.1 - Audit Committee

The Audit Committee assists the Board of Directors in ensuring the accuracy and truthfulness of the parent company and consolidated financial statements, as well as the quality of internal controls and information made available to the Company's shareholders and the market.

The Audit Committee has been specifically required by the Board of Directors to:

- with respect to the financial statements:
  - examine the draft annual and six-month parent company and consolidated financial statements, in order to verify the manner in which they are established and to ensure the relevance and application of the accounting standards used; to this end, the Audit Committee may interview, outside the presence of the managers or Directors that actively exercise functions within the business, any person who in one way or another participates in the preparation or control of the accounts (finance department, internal auditors, Statutory Auditors),
  - examine the methods and scope of consolidation used in the financial statements,
  - ensure the adequate treatment of significant transactions at the Group level, and
  - keep up to date on the Group's financial and cash position, as well as its significant commitments;
- with respect to internal controls:
  - determine the quality and efficiency of the Group's internal control procedures so that the parent company and consolidated financial statements accurately and truly reflect the reality of the business and of the Group and conform to applicable accounting standards, and
  - ensure the relevance and quality of the Company's financial communications;
- with respect to external controls, the Audit Committee has the essential role of guaranteeing the independence and objectivity of the Statutory Auditors by:
  - managing the selection process of the Company's Statutory Auditors and by examining questions relating to the appointment, renewal or termination of the mandate of the Company's Statutory Auditors, and
  - examining the amount and details of remunerations paid by the Group to the Statutory Auditors and the group to which they belong; to this end, the Audit Committee is required to obtain information on the fees paid by the Company and the Group to the Statutory Auditors and the group to which they belong and ensure that the amount, or the portion such amounts represent in the net sales of the auditors

and the group to which they belong, does not compromise the independence of Statutory Auditors.

The Audit Committee must be composed of at least three members, of which one must be an independent Director.

Executive Directors and salaried employees of the Company or its subsidiaries may not serve on the Audit Committee.

The members of the Audit Committee must possess the financial and/or accounting experience necessary for the exercise of their role on the Committee. In addition, the Company also ensures that Audit Committee members have knowledge of the Company's business, activities and industry.

A meeting of the Audit Committee is validly held if at least a majority of its members are present. Decisions are taken by simple majority vote. In the event of a tie, the vote of the Audit Committee Chairman will carry the vote.

The Audit Committee must regularly report on its activities to the Board of Directors, and in any event, at the time of the approval of the annual and six-month financial statements.

#### 8.3.1.2.2 - Nominating and Compensation Committee

The Nominating and Compensation Committee is responsible for:

- reviewing and making proposals to the Board of Directors regarding candidates for Director, CEO, Chairman of the Board and the members and Chairman of the Audit Committee and the Strategy Committee. To this end, it must evaluate the abilities, knowledge and experience required for the position, describe the position's responsibilities and determine the time commitments for the position;
- evaluating proposals submitted by interested parties, including management and the shareholders;
- periodically examining the efficient operations of the Board and managers' performance; and
- annually assessing each Directors' independence in the context of the criteria contained in the internal regulations.

With respect to the compensation granted to the Chairman of the Board and the managers of the Company, the Nominating and Compensation Committee:

- provides its opinion on all forms of compensation, including benefits in kind and insurance or retirement benefits received from Group companies or affiliated entities;
- examines and formulates proposals to the Board regarding the compensation of the Chairman of the Board, the CEO and the chief operating officers (*directeurs généraux délégués*), and in particular, the variable portion of compensation. To this end, the Committee establishes the rules regarding the manner in which variable compensation is determined and ensures that such rules are consistent with annual performance evaluations of managers and with the Group's medium-term strategy. The Committee also supervises the enforcement of these rules; and

- ensures that the Company complies with its obligations regarding compensation disclosure. To this end, an annual report is prepared by the Committee and submitted for the approval of the Board of Directors to be subsequently included in the Company's annual report. In addition, the Committee ensures that all information required by law with respect to compensation is clearly and completely communicated in the annual report.

With respect to Director compensation, the Committee:

- makes proposals on the allocation of attendance fees (*jetons de présence*) pursuant to the internal regulations; and
- makes recommendations on any compensation granted to Directors entrusted with additional responsibilities.

With respect to stock option plans and all other forms of compensation through shares or equity-based compensation, the Committee is responsible for:

- reviewing the general policy on entitlement to such methods of compensation and submitting proposals as necessary to the Board of Directors;
- reviewing information provided on such compensation in the annual report and to the Annual Shareholders' Meetings;
- submitting proposals to the Board of Directors regarding the selection of a particular compensation plan from among the plans authorized by law and expressing the reasons for and consequences of such choice; and
- preparing Board of Directors decisions regarding such compensation plans, as well as salary savings plans, for managers and employees of the Company, its subsidiaries or the Group.

The Nominating and Compensation Committee is composed of four members.

A meeting of the Nominating and Compensation Committee is validly held if at least half of its members are present at the meeting. Decisions are taken by simple majority vote. In the event of a tie, the vote of the Nominating and Compensation Committee Chairman will carry the vote.

The Nominating and Compensation Committee meets at least twice a year. In any event, the Committee must meet before the agenda of the Annual Shareholders' Meeting is approved, to examine the draft resolutions that fall within its jurisdiction.

### 8.3.1.2.3 - Strategy Committee

The Strategy Committee is responsible for assisting the Board of Directors in determining the Company's strategy, and in particular:

- examining major projects relating to the strategic development and positioning of the Group, and in particular, strategic partnerships and major investment or disposal transactions; and

- examining the draft annual budget and the three year business plans of the Company that are submitted to the Board of Directors. To this end, the Committee may interview the Company's managers on the assumptions used to prepare or modify such budgets and business plans.

The Strategy Committee is composed of four members.

A meeting of the Strategy Committee is validly held if at least half of its members are present at the meeting. Decisions are taken by simple majority vote. In the event of a tie, the vote of the Strategy Committee Chairman will carry the vote.

The Strategy Committee meets as many times as necessary, and in any event, at least two times per year.

### 8.3.1.3 - DIRECTORS' CHARTER

In keeping with its corporate governance responsibilities, the Board of Directors adopted a Directors' charter, which has been integrated into the internal regulations. This Directors' charter sets forth the rights and obligations of the Directors and is binding upon each Director.

Before accepting the position of Director, each Director must ensure that he is familiar with the general and specific obligations of the position, such as those arising from law or regulation, the Company's bylaws, the internal regulations, the Directors' charter described below and all other applicable documents or laws.

- Directors must be competent and play an active role.
- Directors must act at all times in the interest of the Company and are required to defend and promote the Company's values.
- Directors must dedicate the time and attention necessary to their positions and must be assiduous and participate, whenever possible, in all Board meetings and meetings of Committees of which they are a member.
- To enhance transparency, the annual report includes information on Directors' attendance at Board and committee meetings.
- Directors must attend the Shareholders' Meetings.
- Each Director must personally hold at least 500 shares of the Company throughout his term as Director.
- Directors have a duty of loyalty and diligence.

To this end, each Director commits to:

- inform the Board of all conflicts of interest, including potential conflicts, and abstain from participating in any consideration of or voting on issues relating to any such conflicts, and
- abstain from personal commitments with competitors without informing the Board and obtaining its consent.

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## CORPORATE GOVERNANCE

### Operation of administrative and management bodies

- Directors have a duty of confidentiality regarding all non-public information obtained in connection with the performance of their duties.
- Directors must ensure that they receive in a timely manner all documents and information necessary for discharging their responsibilities and are responsible for requesting from the Chairman all documents they deem necessary for such purposes.
- Directors must possess broad knowledge of the specifics of the Company, its activities and the industry in which it operates.
- Upon appointment or at any time during their term, Directors may receive training on the specifics of the Company, its operations and the industry in which it operates.
- Directors must comply with the Company's code of conduct with respect to insider trading and market activities.

A Director who does not consider that sufficient information has been provided may ask for additional information from the Board or the Chairman.

### 8.3.2 - Operations of management “*Direction Générale*”

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The Chief Executive Officer (*Directeur général*) is vested with the broadest powers to act on the Company's behalf under all circumstances. The Chief Executive Officer exercises his powers within the limits of the Company's corporate purpose and subject to the powers expressly attributed by law to the Board of Directors and General Shareholders' Meetings. The Chief Executive Officer

represents the Company in its dealings with third parties (see section 12.2.2.2 of this reference document).

The internal regulations enumerate certain significant decisions that require the prior authorization of the Company's Board of Directors (see section 8.3.1.1 of this reference document).

### 8.3.3 - Code of conduct with respect to trading and market activities

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Pursuant to the new legal and regulatory requirements relating to issuers, the Group adopted a code of conduct in 2006.

This code of conduct was adopted by the Board of Directors on June 2, 2006 and applies to all Executive Directors (*mandataires sociaux*), managers and senior executives (*personnes assimilées*). The Board appointed the Company Secretary of the Group as

the person in charge of ethical duties, responsible for ensuring compliance with the code of conduct.

The main provisions of this code of conduct aim at controlling transactions in the securities of the Company which may be carried out by persons with regular access to material insider information concerning the Company.

## 8.4 - REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The Chairman's report relating to corporate governance and internal controls is drawn up pursuant to article L.225-37 of the French Commercial Code and after discussion with the Audit Committee, the Company's Statutory Auditors, and the Group's audit and internal control department. The present Chairman's report was approved by the Board of Directors on March 4, 2009.

At the meeting of the Board of Directors on November 5, 2008, the Company approved formal reference to the principles of

corporate governance for listed companies set out in the Afep/Medef code of corporate governance dated December 2008 ("Code of Corporate Governance"). As this Code allows for the principle of "comply or explain", those recommendations with which the Company does not comply in the strict sense are explicitly indicated in this report as are the reasons for non-compliance.

The Afep/Medef Code of Corporate Governance may be consulted on Medef's website at [www.medef.fr](http://www.medef.fr).

### 8.4.1 - Composition of the Board of Directors

At December 31, 2008, the Board was made up of 11 members, whose profiles and directorships outside the Group are presented in the Company's reference document, which can be consulted on the website of the AMF ([www.amf.org](http://www.amf.org)) and on that of the Company ([www.legrandelectric.com](http://www.legrandelectric.com)). The terms of office of nine members were renewed for terms of six years at the Combined

Ordinary and Extraordinary Meeting of shareholders held on May 22, 2008. The composition of the Board and of its specialized Committees, as well as the duration of mandates, reflect the two majority shareholders' efforts to seek a lasting balance among Directors representing these shareholders, independent Directors and management.

Composition of the Board of Directors			
Name	Duties	Date of first appointment	Term of office expires on <sup>(1)</sup>
Gilles Schnepf	Chairman and CEO	12/10/2002	12/31/2013
François Grappotte	Honorary Chairman	12/10/2002	12/31/2013
Olivier Bazil	Vice-Chairman – COO	12/10/2002	12/31/2013
Mattia Caprioli <sup>(2)</sup>	Director	07/25/2007	12/31/2013
Arnaud Fayet	Director	12/10/2002	12/31/2013
Jacques Garaialde	Director	06/06/2003	12/31/2013
Edward A. Gilhuly	Director	12/10/2002	12/31/2013
Jean-Bernard Lafonta	Director	12/10/2002	12/31/2013
Gérard Lamarche <sup>(3)</sup>	Director	04/06/2006	12/31/2011
Ernest-Antoine Seillière	Director	12/10/2002	12/31/2013
Thierry de La Tour d'Artaise <sup>(3)</sup>	Director	04/06/2006	12/31/2011

(1) As of the date of the Shareholders' Meeting to approve the financial statements for the financial year closed at this date.

(2) Director whose cooptation was ratified by the Combined Ordinary and Extraordinary Meeting of shareholders on May 22, 2008.

(3) Independent Director.

**Independent Directors**

The Board of Directors ensures that there are at least two independent Directors serving on the Board at all times. Messrs. Gérard Lamarche and Thierry de La Tour d'Artaise are independent Directors.

Meeting on March 4, 2009, the Board confirmed its judgment that Gérard Lamarche and Thierry de La Tour d'Artaise qualify as independent Directors as defined by the Code of Corporate Governance. In compliance with the criteria for independence included in the internal rules of the Board, available on the

Company's website, the definition of "independent" is considered each year by the Nominating and Compensation Committee, which submits a report on this subject to the Board.

The Company being controlled by two shareholders linked by a shareholders' agreement that provides for the Board of Directors to be composed of a majority of members that they propose, and the Company having also expressed the wish that its management be represented on the Board, it does not comply fully with the provision of the Code of Corporate Governance calling for at least one-third of Directors to be independent.

## 8.4.2 - Preparation and organization of Board work

Considering the information presented below, the Company's practices in the preparation and organization of the work of the Board and its Committees comply with the recommendations of the Code of Corporate Governance.

**Internal rules and Code of conduct with respect to trading and market activities**

The Board of Directors of the Company has adopted a set of internal rules (integrating a Directors' Charter). The Group has also adopted a Code of conduct with respect to trading and market activities. These documents can be consulted on the Company website at [www.legrandelectric.com](http://www.legrandelectric.com).

**Directors' Charter**

To promote good governance, the Board of Directors has adopted and integrated into its internal rules a Directors' Charter setting out the rights and duties of Directors, which each Director must respect.

**Information on Directors**

In the execution of his duties, the Chairman of the Board communicates, at least 48 hours before each meeting, all documents and information necessary to the consideration of points on the agenda.

Directors may request any documents they believe relevant for the preparation of the meeting, provided that they submit such requests with reasonable notice.

When required by confidentiality, in particular where sensitive financial information is concerned, information may be communicated during the meeting.

In addition, Directors receive all relevant information on significant events or transactions for the Company.

**Board of Directors**

In 2008, the Board met seven times.

Attendance of Directors at Board meetings was satisfactory, with the attendance rate 84% for the year. Participation in meetings of specialized Committees averaged 95%. Representatives of the Central Works Committee (*Comité central d'entreprise*) attend the meetings of the Board of Directors.

In order to allow it to perform its duties in the best conditions, the internal rules of the Board provide that its deliberations are to be prepared in certain fields by specialized Committees: the Audit Committee, the Strategy Committee, and the Nominating and Compensation Committee. At Board meetings, these committees present detailed reports on their work.

On February 6, 2008, the Board met to consider the following agenda:

- Audit Committee report on its review of annual consolidated and parent-company financial statements and related management reports, the report of the statutory auditors, and key figures to be included in the press release and projections;
- consideration and adoption of consolidated financial statements for 2007;
- consideration and adoption of parent-company financial statements for 2007 and proposal for dividend payment;
- report of the Strategy Committee on the 2008 budget and review of acquisitions;
- Nominating and Compensation Committee report on fixed and variable portions of compensation for Executive Directors for the year 2007 and related information, amounts of stock option and free-share allotments to Executive Directors in respect of 2007, determination of the total allotment of stock options and free shares in respect of 2007, and breakdown of Directors' fees in respect of 2007.

On March 5, 2008, the Board met to consider the following agenda:

- report of the Strategy Committee on planned acquisitions;
- self-evaluation of the performance of the Board of Directors and its Committees (summary and proposals);
- report of the Nominating and Compensation Committee concerning stock option and free-share plans to be implemented in respect of 2007, principles and conditions of stock options and free-share plans in respect of 2008, compensation of Executive Directors in respect of 2008 (fixed salary, calculation of bonuses and target allotment for stock options and free shares), renewal of Directors' terms of office

and of the composition of Committees, of the procedure for recognition of independent Directors, and approval of that part of the reference document relative to compensation of Executive Directors:

- renewal of annual powers granted to the Chairman and the Vice-Chairman for bonds, endorsements and sureties and adjustments to thresholds in the internal rules;
- cancellation of shares purchased under the share buyback program;
- delegation of financial powers to the Board of Directors to be proposed to the General Meeting of shareholders;
- convening of the annual Combined Ordinary and Extraordinary Meeting of shareholders (proposed agenda and resolutions);
- preparation of reports to be submitted to the General Meeting;
- communication of the list of regulated agreements as defined in article L.225-39 of the French *Code de Commerce*;
- presentation of forecast financial statements.

On May 6, 2008, the Board met to consider the following agenda:

- report on current acquisitions;
- Audit Committee report on its review of quarterly accounts and key figures to appear in the press release, integration of risk management into internal control structures, and the 2008 internal audit plan;
- consideration and adoption of consolidated quarterly accounts at March 31, 2008;
- consideration and approval of press release;
- presentations on operational subjects ("pricing" and "sustainable development") by managers concerned.

On May 22, 2008, the Board met to consider the following agenda:

- renewal of the mandate of the Chairman and Chief Executive Officer (combination of positions maintained and reappointment with the same powers, no change in compensation);
- renewal of the mandate of the Vice-Chairman and Chief Operating Officer (reappointment with the same powers, no change in compensation);
- powers relating to bonds, endorsements and sureties (powers conferred on March 5, 2008 maintained)
- Renewal of the membership of the Committees of the Board of Directors;
- implementation of a new share buyback program.

On July 29, 2008, the Board met to consider the following agenda:

- Strategy Committee report on current acquisitions and review of acquisitions;
- Audit Committee report on its review of half-year financial statements and related management report, on key figures to appear in the press release, on the half-year financial report, and on auditors fees paid in 2007 as well as the related amount budgeted for 2008;
- consideration and adoption of consolidated financial statements for the six months ended June 30, 2008;
- consideration and approval of press release;
- drafting of the half-year financial report;
- presentation of Company's forecast financial statements;
- approval of arrangements for credit lines;
- presentation on the protection of intellectual property rights and market supervision by operational managers.

On October 3, 2008, the Board met to consider the following agenda:

- approval of arrangements for new credit lines.

On November 5, 2008, the Board met to consider the following agenda:

- Audit Committee report on its review of quarterly financial statements, key figures to be included in the press release, principles governing the allocation of acquisition prices and principles governing the depreciation of intangible assets;
- consideration and adoption of consolidated accounts for the quarter ended September 30, 2008;
- consideration and approval of press release;
- Strategy Committee report on acquisitions made in 2008 and outlook;
- recognition of the capital increase resulting from the exercise of options;
- presentation of risk management by the responsible manager for this (analysis and mapping of risk);
- approval of formal reference to the Afep/Medef Code of Corporate Governance.

#### **Audit Committee**

- The powers of the Audit Committee and its organization are specified in the internal rules of the Board.

#### **Membership and duties**

The Audit Committee is made up of three members appointed by the Board of Directors, including one independent Director. They are Arnaud Fayet, Jacques Garaïalde and Gérard Lamarche, whose personal profiles and education are presented in the Company's reference document. The Committee is chaired by

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## CORPORATE GOVERNANCE

### Report of the Chairman of the Board of Directors on corporate governance and internal controls

G rard Lamarche, independent Director. Its primary duties are to:

- review the financial statements of the Company and the Group as communicated by the Company at least 48 hours before its meeting;
- ensure that the accounting methods used for the preparation of the consolidated and parent company financial statements are consistent and accurate, and that material transactions at Group level are adequately addressed, calling on the assistance of outside experts as necessary;
- analyze and monitor risks;
- ensure that internal control procedures are established for the collection and control of information to ensure that such information is reliable, review the Group's internal audit plan and the work schedule of the Statutory Auditors, apprise itself of the Group's internal audit programs;
- provide an opinion on the renewal or appointment of the Statutory Auditors; and
- consider any financial or accounting issue submitted to it by the Chairman of the Board or by the Chief Executive Officer, as well as any issue of conflict of interest of which it is apprized.

The Audit Committee meets prior to the review of the annual, half-year and quarterly financial statements by the Board of Directors.

Meetings of the Audit Committee may take place by telephone or videoconference; a quorum exists when at least half of the members are present.

The Audit Committee may interview the Chief Financial Officer of the Group and/or members of his staff, or receive the observations of the Statutory Auditors without the members of the general management being present.

#### 2008 meetings

The Audit Committee met on four occasions during the 2008 financial year.

On February 5, 2008, the Audit Committee met to consider the following agenda:

- presentation of consolidated and parent company annual financial statements at December 31, 2007 (review of annual accounts, work of Statutory Auditors, impact of changes in the scope of consolidation and currency translation on 2007 activities);
- review of key figures in the press release and projects for 2008.

On April 30, 2008, the Audit Committee met to consider the following agenda:

- presentation of consolidated quarterly financial statements at March 31, 2008;
- review of key figures in the press release;
- risk management (analysis and mapping of risk);

- internal audit plan for 2008 (review of organization, information on internal audit assignments in 2007 covering staff numbers, subsidiaries and processes, and 2008 audit plan);
- presentation of the 2007 reference document.

On July 25, 2008, the Audit Committee met to consider the following agenda:

- presentation of consolidated half-year financial statements at June 30, 2008 (approval of the half-year financial report, conclusions of the Statutory Auditors);
- review of key figures in the press release;
- auditors' assignment and fees.

On October 30, 2008, the Audit Committee met to consider the following agenda:

- presentation of consolidated quarterly financial statements at September 30, 2008;
- review of key figures in the press release;
- presentation of principles governing the allocation of acquisition prices.

The Audit Committee reports to the Board of Directors on the performance of its duties.

#### **Nominating and Compensation Committee**

The powers and organization of the Nominating and Compensation Committee are specified in the internal rules of the Board.

#### **Membership and duties**

The Nominating and Compensation Committee is made up of four members appointed by the Board of Directors, including one independent Director. They are Jacques Garaialde, Edward A. Gilhuly, Jean-Bernard Lafonta and G rard Lamarche. The Committee is chaired by Jean-Bernard Lafonta and its duties are to approve:

- all types of compensation to managers, including benefits in kind received from any Group company or any affiliated company, as well as any provisions relating to their retirement;
- the establishment of stock option plans, and any other types of compensation based on shares or indexed on or otherwise connected with shares, for managers or employees or groups of employees of the Company or its subsidiaries.

The Nominating and Compensation Committee meets as often as necessary.

Meetings of the Nominating and Compensation Committee may be held by telephone or videoconference; a quorum exists when at least half of the members are present.

#### 2008 meetings

The Nominating and Compensation Committee met on two occasions during the 2008 financial year.



On February 6, 2008, the Committee met to consider the following agenda:

- compensation of Executive Directors in respect of 2007 (amount of compensation: fixed salary, bonus, performance-based, insurance, supplementary retirement benefits, non-compete covenant, benefits, Directors' fees from subsidiaries; allotments of stock options and free shares);
- option plans and free-share plans in respect of 2007 (total theoretical amount);
- principles for compensation in respect of 2008 (benchmark from external consultant, principals for calculating economic income);
- Directors' fees (breakdown in respect of 2007 and increase in 2008 for Directors serving on specialized Committees and as chairmen of these committees).

On March 5, 2008, the Committee met to consider the following agenda:

- implementation of stock-option and free-share plans allocated in 2008 in respect of 2007 (individual allotments of options and free shares to employees and to Executive Directors; exercise price; determination of number of shares to be held by Executive Directors; regulations for stock-option and free-share plans);
- stock-option and free-share plans allocated in 2009 in respect of 2008 (principles);
- compensation of Executive Directors in respect of 2008 (fixed compensation set following the review conducted by an external consultant; principles for calculating bonuses; principles for allotting stock options and free shares);
- renewal of the mandates of nine Directors for a period of six years;
- procedure for the review of the status of independent Directors;
- approval of certain sections of the reference document.

The Nominating and Compensation Committee also met on February 10, 2009 to consider the recommendations published in October 2008 by Afep/Medef concerning the compensation of Executive Directors, and to formulate proposals to submit to the Board of Directors concerning these recommendations.

The Nominating and Compensation Committee reports on its work to the Board of Directors.

### Strategy Committee

#### Membership and duties

The Strategy Committee is made up of four members appointed by the Board of Directors: Olivier Bazil, Jacques Garaïalde, Jean-Bernard Lafonta and Gilles Schnepf. It is chaired by Jacques Garaïalde, and its responsibilities include:

- reviewing all of the main projects relating to the development and strategic position of the Group, in particular strategic partnership projects and main investment and divestment transactions;
- reviewing the draft annual budgets and development plans of the Company submitted to the Board of Directors. In this capacity, the Strategy Committee consults with the managers of the Company concerning the assumptions on which such plans and budgets are based or amended.

#### 2008 meetings

The Strategy Committee met on five occasions during the 2008 financial year.

On January 8, 2008, it met to consider the following agenda:

- review of current acquisitions;
- presentation of 2007 estimates and proposed 2008 budget.

On February 6, 2008, it met to consider the following agenda:

- new acquisition projects;
- approval of the 2008 budget.

On March 5, 2008, it met to consider the following agenda:

- review of current acquisitions.

On July 29, 2008, it met to consider the following agenda:

- review of an acquisition project.

On November 5, 2008, it met to consider the following agenda:

- summary of acquisitions made in 2008;
- outlook for further acquisitions.

The Strategy Committee reports on its work to the Board of Directors.

#### Evaluation of the Board of Directors and its Committees

In compliance with internal rules, the work of the Board of Directors is reviewed and assessed at least once a year. This is a separate point on the agenda of the meeting concerned, and is reported on in the Company's annual report.

The summary of the self-evaluation conducted in 2008 showed general satisfaction among Directors as to the work of the Board and its Committees.

During the year, the Board adopted the following improvements in response to requests formulated by Directors during the self-evaluation:

- presentations on operating or cross-functional subjects were made by operational managers involved in the fields. These concerned pricing, sustainable development, protection of intellectual property and market supervision, and risk management (analysis and mapping of risk);
- reports by specialized Committees were presented with visual aids to ease comprehension and favor discussion;

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## CORPORATE GOVERNANCE

Report of the Chairman of the Board of Directors on corporate governance and internal controls

- Directors' fees were increased for Directors serving on specialized Committees.

In November 2008, a questionnaire was sent to Company Directors to evaluate the performance of the Board and its Committees during the year. Results were discussed as a separate agenda item at a Board meeting at the beginning of 2009.

### 8.4.3 - Limits on the powers of the Chief Executive Officer

Meeting on March 17, 2006, the Board of Directors decided to combine the functions of Chairman and Chief Executive Officer, both to be assumed by Mr. Gilles Schnepf. This decision was made as the Company was listed on the stock exchange.

With the exceptions of transactions and decisions requiring the prior approval of the Board of Directors pursuant to article 1 of the internal rules (which may be consulted at [www.legrandelectric.com](http://www.legrandelectric.com)), the Board of Directors has set no limits on the powers of the Chairman and Chief Executive Officer.

### 8.4.4 - Principles and rules for determining the compensation and benefits of Executive Directors

Compensation of Executive Directors is set by the Board of Directors on the basis of recommendations made by the Nominating and Compensation Committee.

#### ■ 8.4.4.1 - COMPENSATION AND BENEFITS OF EXECUTIVE DIRECTORS

##### Contract of employment of the Chairman and CEO

On March 4, 2009, the Board of Directors took due note of the decision of Mr. Gilles Schnepf to renounce his contract of employment, this decision resulting in the loss of any indemnity payable on retirement, for dismissal or in connection with the non-competition clause linked to his contract of employment. No compensation or benefit of any sort was paid to Mr. Schnepf in exchange for his resignation.

The Board of Directors nonetheless judged that it was in the interest of the Company to enter into a new non-competition agreement with Mr. Schnepf, this agreement being for a period of two years and enforceable at the sole initiative of the Company. Mr. Schnepf agreed to provide this new covenant.

These initiatives bring the Company into compliance with the recommendation of the Code of Corporate Governance concerning the termination of contracts of employment in the case of a status of Executive Director.

##### Termination benefits

With the exception of benefits due on retirement and of the covenants not to compete described below, Executive Directors do not benefit from any commitment concerning components of

compensation, indemnities or other benefits that might be due as a result of the termination of their office or assignment to a different position, or subsequently ("golden parachutes").

Mr. Gilles Schnepf is subject to restrictions under a covenant not to compete that would occasion the payment of an indemnity equal to a maximum of one year compensation (fixed and bonuses) and thus not exceeding the limit of two years' compensation provided for in the Code of Corporate Governance. This covenant can be enforced at the sole initiative of the Company. Similarly, Mr. Olivier Bazil is subject to the standard non-competition clause provided for in the collective labor agreement for metal industries, which provides for an indemnity equal to a maximum of one year compensation (fixed and bonuses) and thus not exceeding the limit of two years' compensation provided for in the same Code. This clause can be enforced at the sole initiative of the Company.

The Company thus complies with the Code's recommendation concerning this type of indemnity.

##### Pension entitlements

The Executive Directors benefit from a system of supplementary pension entitlements that meets the criteria defined in the Code, which concern the number of beneficiaries, seniority, the upper limit as a percentage of Executive Directors' compensation, and the reference period used for the calculation of entitlements.

##### Stock options and bonus shares

At the beginning of the 2007 and 2008 financial years, the Board of Directors decided to make allocations of stock options and bonus shares to over 1,000 employees in different countries,

these allocations being dependent on achieving targets relating to economic income, which is to say adjusted operating income less the cost of capital. Allocations to Executive Directors averaged 7% of the total.

The Company has for many years also implemented a system of profit sharing beyond the legal requirements for the benefit of all its employees and those of its French subsidiaries.

The Company complies with the rules for the allocation of stock options and free shares defined in the Code of Corporate Governance with the exception of the following recommendations:

(i) Allocation of free shares conditional on the purchase of a defined quantity of shares when the free shares vest:

The Executive Directors have already substantially invested in the Company's capital stock and are already subject to an obligation to hold at least 30% of all the shares acquired, including free shares and stock options, as long as they remain in office. Considering this, the Board of Directors, accepting the proposal of the Nominating and Remuneration Committee, has decided not to comply with this recommendation to the letter;

(ii) Exercise of stock options and vesting of free shares

Allocations of stock options and free shares are subject to conditions of performance defined each year on the basis of criteria applied in a constant manner.

These rules for allocations apply to Executive Directors in the same way as they do to all other beneficiaries.

Criteria for allocations are aligned with the interest of the Company (depending as they do on operating income less cost of capital), and the fact that allocations are made directly following the performance recorded for the related financial year is considered a source of motivation. In addition, a certain consistency in allocations smoothes out the drawbacks of the extremely high volatility now observed. No additional conditions have thus been imposed on beneficiaries as regards exercise of options and vesting of free shares.

At the proposal of the Nominating and Compensation Committee, the Board of Directors has thus decided not to change the existing system even if it does not comply with the letter of this recommendation on certain points.

### Principles for determining compensation

The principles for determining the compensation of the Chairman and Chief Executive Officer and the Vice-Chairman, Chief Operating Officer include:

- a fixed annual salary, determined with regard to the level of responsibility and the experience of each person, as well as market practice with reference to a survey conducted by an outside consultant;
- a variable portion of which 70% is based on quantitative targets and 30% based on qualitative targets. The quantitative targets are linked to the financial performance of the Company, measured each year in terms of economic income (i.e., adjusted operating income less the cost of capital employed). Qualitative targets are mainly connected with the manager's implementation of the Group's strategy;
- a company car and a cell phone as benefits in kind;
- the mandatory group contingency insurance plan and supplementary health insurance for the Group's executives.

#### 8.4.4.2 - ATTENDANCE FEES PAID TO DIRECTORS

The maximum amount to be paid in attendance fees was set at €330,000 by the General Meeting of shareholders on April 6, 2006. This resolution remains in effect until the adoption of a new resolution.

Subject to this limit set by the General Meeting and based on the report of the Nominating and Compensation Committee, the Board of Directors sets the amount of attendance fees to be paid to Directors in respect of the previous year as follows:

- €20,000 a year to be paid to each member attending all meetings of the Board of Directors, this amount being reduced by €1,000 for each absence from a meeting of the Board of Directors;
- in addition, €5,000 a year to be paid to each member of the Board of Directors who is also a member of a Committee, this amount being increased to €10,000 per year for the chairmen of the Strategy Committee and the Nominating and Compensation Committee, and to €20,000 for the Chairman of the Audit Committee.

These rules for attendance fees comply with the Code of Corporate Governance.

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## 8.4.5 - Participation of shareholders in the General Meeting

Conditions for the participation of shareholders in Company General Meetings are described in article 11 ("General Meetings") of Company articles, which can be accessed at [www.legrandelectric.com](http://www.legrandelectric.com).

## 8.4.6 - Information pursuant to article L.225-100-3 of the French Commercial Code concerning factors likely to affect the outcome of a public offer

Meeting on February 10, 2009, the Board approved the management report provided for under article L.225-100 of the Commercial Code, concerning in particular factors likely to influence a public offering.

As provided by law, this management report will be filed with the registrar of the *Tribunal de Commerce* in Limoges at the same time as the present Chairman's report.

## 8.4.7 - Definition, purposes and organization of the Group's internal control procedures and risk management

### ■ 8.4.7.1 - DEFINITION AND PURPOSE OF THE GROUP'S INTERNAL CONTROL SYSTEM

The Group's internal control system involves the use of appropriate resources for procedures and action, implemented in ways suited to the Group's special features and which:

- contribute to control of its business, the effectiveness of its operations and the efficient use of its resources; and
- enables it to take appropriate account of significant operational, financial and compliance risks.

The purpose of the Group's internal control procedures relates to enforcement of principles that include:

- protection and safeguarding of assets through procedures such as regular physical inventory controls, and inspections of plant and equipment as well as insurance policies matching the Group's needs;
- fraud prevention and detection, particularly with regard to accounting and financial information;
- the reliability and integrity of accounting information in relation to actual transactions;
- achievement of management objectives;
- compliance with laws, regulations and internal procedures;
- optimization of operations.

While internal controls naturally cannot provide an absolute assurance that the Group's objectives will be met, it should be

emphasized that the Group's unique business model makes it easier for all subsidiaries to understand and implement its principles regarding internal controls.

### ■ 8.4.7.2 - SCOPE OF INTERNAL CONTROL

The Company's assets consist almost exclusively of equity interests in Group companies.

The scope of its internal control system is thus the entire Group and all of its businesses.

### ■ 8.4.7.3 - FRAMEWORK

To achieve these internal control objectives, the Group's management has set up a framework based on COSO guidance as adapted to Legrand's special circumstances and drawing inspiration from the practices recommended by the France's financial market authority AMF in its framework document published in January 2007 as regards:

- the Group's internal control environment;
- risk assessment and management;
- internal control operations;
- communications channels and information flows;
- supervision and continuous monitoring of internal control.

This reference framework is implemented by all Group subsidiaries where this is warranted. Considering its structural impact, it also contributes to the harmonization of internal control practices at new subsidiaries, facilitating their integration.

#### ■ 8.4.7.4 - INTERNAL CONTROL FRAMEWORK

##### *Internal control environment*

The principles underpinning the Group's internal control environment structure its philosophy in this area and determine the level of staff awareness of the need for controls.

The organization set up by the Group is designed to assign clear responsibilities to operating units and operational functions. It is founded on a set of core messages and values that are widely disseminated throughout the Group and shared by all, beyond corporate management structures. This internal control environment is defined in particular by the Group Charter communicating its values and principles to all entities and their employees.

##### *Assessment and management of risk*

The assessment and management of risk are the foundations of the Group's internal control procedures. They involve mapping major risks and updating data regularly, which also means that major operating risks are included in the reference document (chapter 3).

The process for dealing with such risks is headed by the risk management unit reporting to the Corporate Secretary and working closely with the Internal Control department. This unit ensures in particular that the list of risks identified is up to date and that risks are dealt with effectively, monitoring deployment of related action plans. To define appropriate responses, it works closely with operational managers concerned. Staff members are appointed to act as relays in different units, divisions and subsidiaries and help working groups to progress effectively.

This general approach is overseen and monitored by a risk committee that includes the Group's general management. The risk committee met twice in 2008. Cross-functional issues may also be addressed at meetings of Group management committees.

The Group Audit Committee is kept informed of all issues, in particular updates to risk mapping, which the Committee reviews annually. All Group Directors attended a presentation on risk management at Legrand at the November Board meeting, which discussed the issues.

This approach to risk assessment and management has allowed a steady flow of information and regular review of internal control operations to ensure that full cover is in place for all risks identified.

The methodology defines specific tools and consistent methods that help structure subsidiaries' responses; easy to use in their day-to-day operation, these identify and process risks. Examples include risk matrices to rate certain types of third-party risks in transactions, as well as relating to certain products made by the Group. Subsidiaries working through the internal control reporting system implement these tools and methods, with internal audits to check that they are being properly applied.

##### *Internal control operations*

The Group's internal control operations are defined in a manual of administrative and financial procedures and accounting, management and reporting rules. This manual, designed for to the Group's specific economic environment and industry, has existed for over a decade, and is updated regularly. Clear emphasis is placed on tracking product flow (with reliability of inventories monitored through cycle counts, analysis and justification of inventory discrepancies) and sales transactions (compliance with revenue recognition rules, tracking and authorization of discounts or rebates).

Application of these regulations ensures compliance with management objectives. The Group's dedication to a single strategic business area has allowed it to define simple operating rules for each of its functional and operational divisions.

Risk management procedures, compliance with principles of the control framework, and internal control operations are reviewed and tested each year. This review process has led to a large number of initiatives resulting in general improvements at subsidiaries. At the end of December 2008, over 90% of such initiatives had already been completed, contributing to a considerable improvement in the overall quality of internal controls. Others will be deployed in 2009.

#### ■ 8.4.7.5 - STAFF INVOLVED IN INTERNAL CONTROL AT LEGRAND

The staff groups involved in internal control at Legrand make up an organization suited to the structure of the Group, ensuring the collection and dissemination within the business of reliable, relevant information. This overall organization is headed by the Internal Control unit.

##### *Communication models and information flows*

These models and flows are deployed through concerted action involving contributions from the following staff:

##### *Financial managers at subsidiaries*

Financial managers play a critical role in the finance function. Candidates for these positions are reviewed systematically by the Group's financial management, to ensure consistently outstanding levels of expertise.

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## CORPORATE GOVERNANCE

Report of the Chairman of the Board of Directors on corporate governance and internal controls

### Group financial control

The Group's financial control section plays a key role in monitoring of subsidiaries' performance. It coordinates the preparation of annual budgets and regularly reviews achievements and estimates. In this, it applies specific reporting and budget preparation rules, which are included in the internal control procedures manual.

All subsidiaries issue a detailed consolidation report every month, including a balance sheet, an income statement and analyses, allowing detailed monitoring of their performance.

### Corporate financial analysis

The corporate financial analysis section prepares and analyzes the Group's consolidated financial statements. It prepares and circulates, on a monthly basis, a progress sheet showing the Group's consolidated performance and the difference between actual performance and targets.

Accounting data are consolidated by a dedicated team using the consolidation reports available online to all Group subsidiaries. Consolidated financial statements are prepared on a monthly basis, except at the end of July, following a schedule circulated to all subsidiaries. This allows them to plan accordingly and provide the financial information in a timely manner.

Almost all consolidated entities have their consolidation reports reviewed annually by the local affiliated offices of the Group's Statutory Auditors.

### Cash flow management

Cash flow is monitored through specific Group procedures. Investment, borrowing and hedging transactions are centralized and controlled by the Group's Finance Department.

This allows the Finance Department to accurately monitor the Group's indebtedness, manage interest-rate and exchange-rate risks, and optimize cash-flow management and the financing of subsidiaries.

### IT Department

To ensure the reliability of accounting and financial data processing, Legrand has implemented a full set of IT procedures and data back-up plans for the various IT systems used by the Group.

The implementation of internal controls has also strengthened and harmonized procedures and operations relating to IT systems, as well as protection and access conditions for systems and networks.

### *Management of internal control and ongoing supervision of the internal control framework*

The Group's internal control section:

- coordinates the Group's internal control operations and ensures that reviews are conducted methodically;
- conducts internal audits at Group entities.

The assignment of these two tasks to a single section ensures consistent methodology and adaptation of points of control to the risk areas identified by risk management processes.

For the Group's largest entities (France, Italy, the USA and China), the internal control section also relies on local internal control teams that implement the internal control policy in their units. In smaller subsidiaries, internal control is the responsibility of the head of each operating unit. Regular reviews by the Group's internal auditors and financial controllers ensure that the Group's procedures have been properly implemented and enforced. The tools, procedures and results of internal control reviews are made available to the Group's Statutory Auditors on a permanent basis, and there are regular consultations for the purpose of optimizing the internal control framework and cover of risk areas.

In the Group as a whole, a total of around 15 staff members will be fully dedicated to internal control in 2009.

The internal control section reports to the Group's Company Secretary, who in turn reports to the Vice-Chairman and Chief Operating Officer.

## 8.4.8 - Financial ratings of the Company

At December 31, 2008, Legrand was rated as follows by financial ratings agencies, and these ratings have not changed at the date of the current reference document:

- Standard & Poor's: BBB stable outlook;
- Moody's: Baa3 positive outlook;

- Fitch: BBB stable outlook, upgraded on July 31, 2008 from the previous BBB- positive outlook rating.

This information is communicated in compliance with recommendations in the Code of Corporate Governance.

## 8.4.9 - Report of the Statutory Auditors prepared as provided by article L.225-235 of the French Commercial Code

### Statutory Auditors' report, prepared in accordance with article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of Legrand

*This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and relevant professional auditing standards applicable in France.*

For the Year ended December 31, 2008

To the Shareholders

In our capacity as Statutory Auditors of Legrand (the "Company"), and in accordance with article L.225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with article L.225-37 of the French Commercial Code for the year ended December 31, 2008.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by article L.225-37 of the French Commercial Code, in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report sets out the other information required by article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

### Information concerning the internal control procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our engagement are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with article L.225-37 of the French Commercial Code.

### Other information

We attest that the Chairman's report sets out the other information required by article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine, March 9, 2009

The Statutory Auditors

#### PricewaterhouseCoopers Audit

Gérard Morin  
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#### Deloitte & Associés

Dominique Descours  
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## 9

## EMPLOYEES

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## EMPLOYEES

Options for subscription to new shares or purchase of existing shares

### 9.1 - NUMBER AND BREAKDOWN

The table below shows the weighted-average number of employees, including temporary employees, employed by the Group in 2008, 2007 and 2006 together with breakdowns by geographical locations and areas of employment.

	2008	2007	2006
Total number of employees	34,830	32,355	31,705
<b>By geographical location</b>			
France	23%	26%	27%
Italy	10%	11%	11%
Rest of Europe	21%	15%	15%
United States and Canada	7%	8%	9%
Rest of world	39%	40%	38%
<b>By area of employment</b>			
<i>Back Office</i>			
Manufacturing	60%	61%	62%
Administration, General Services and R&D	21%	21%	21%
<i>Front Office</i>			
Marketing and Sales	19%	18%	17%

The Group tries to achieve an appropriate match between workforce numbers and economic conditions, customer relationships, the development of new products and renewal of existing lines. When required by changes in business pace, the Group cuts staff, where possible on the basis of voluntary departures. Thus in 2008, average staff numbers in manufacturing, administration, general services and R&D ("Back Office") fell by 5.6% a constant scope of consolidation. Aiming to build market

share, Legrand continues to make sales and marketing ("Front Office" activities) the priority, and in 2008 the average number of employees in these areas thus rose by 3.8% at constant scope of consolidation, although the worsening economic environment led the Group to moderate the trend from the second half on (to June 30, the rise in the average number of employees in sales and marketing at constant scope was 4.1%).

### 9.2 - OPTIONS FOR SUBSCRIPTION TO NEW SHARES OR PURCHASE OF EXISTING SHARES

#### 9.2.1 - Stock options granted by the Company

##### 9.2.1.1 - 2003, 2004 AND 2005 STOCK-OPTION PLANS

At the General Meeting of June 6, 2003, shareholders authorized the Board of Directors to grant certain employees and officers

of the Company or of its subsidiaries, on one or more occasions, stock options entitling holders to subscribe to new shares of the Company representing at most 1.6% of its share capital including the shares to be issued as a result of the exercise of options.

## Options for subscription to new shares or purchase of existing shares

The table below summarizes the position regarding the Company's stock-option plans at December 31, 2008.

Information on options for the subscription to new shares	2003 Plan	2004 Plan	2005 Plan	Total
Date of Board of Directors' meeting	06/06/2003	01/30/2004	02/07/2005	
Total number of shares that may be subscribed or purchased	1,924,530	508,250	173,750	2,606,530
Including number of shares that may be subscribed by Executive Directors	0	0	0	0
Terms of exercise	<ul style="list-style-type: none"> <li>■ up to 2/3 of the options, 4 years after grant and option to be exercised within 60 days;</li> <li>■ up to 1/3 of the options, 5 years after grant and option to be exercised within 60 days.</li> </ul>			
Vesting date for options for 2/3	06/06/2007	01/30/2008	02/07/2009	
Vesting date of options for 1/3	06/06/2008	01/30/2009	02/07/2010	
Subscription price	€4.00	€4.00	€5.60	
Options for subscription exercised in 2007	(1,282,363)	0	0	(1,282,363)
Options for subscription forfeited in 2007	(496)			(496)
Options for subscription exercised in 2008	(639,003)	(338,781)		(977,784)
Options for subscription forfeited in 2008	(2,668)	(1,667)		(4,335)
<b>OPTIONS FOR SUBSCRIPTION OF SHARES OUTSTANDING AT DECEMBER 31, 2008</b>	<b>0</b>	<b>167,802</b>	<b>173,750</b>	<b>341,552</b>

Of the options outstanding at December 31, 2008, 283,635 may be exercised in 2009 and 57,917 in 2010.

In 2008, 977,784 options were exercised and those still outstanding may be exercised over the following years in accordance with the schedules defined in the plans.

Exercise of all outstanding options at December 31, 2008 under the various plans described above would represent maximum dilution of 0.1% of the Company's capital (without taking into account subscription payments received).

#### 9.2.1.2 - 2007 AND 2008 STOCK-OPTION PLANS

The table below summarizes authorizations for the issuance of options for the subscription to new shares or purchase of existing shares granted at the General Meeting of shareholders on May 15, 2007. Meeting on May 15, 2007 and March 5, 2008, the Company's Board of Directors approved the implementation of the stock option plans for subscription to new shares or purchase of existing shares referred to above.

Transaction concerned	Duration of authorization and expiration date	Maximum number of shares to which options may be entitled	Duration of plans	Price	Beneficiaries
Issue in one or several stages of stock options or share purchase options	38 months July 15, 2010	5% of share capital of the Company at the grant date	10 years as from date of grant by the Board of Directors	Determined by the Board of Directors in accordance with applicable law and regulations	Certain employees and/or officers of the Company and of affiliated companies

Information on options for the subscription to new shares or the purchase of existing shares	2007 Plan	2008 Plan	Total
Date of Board of Directors' meeting	05/15/2007	03/05/2008	
Total number of shares that may be subscribed to or purchased	1,638,137	2,015,239	3,653,376
Including number of shares that may be subscribed or purchased by Executive Directors	79,281	141,231	220,512
<i>Gilles Schnepf</i>	40,745	72,583	113,328
<i>Olivier Bazil</i>	38,536	68,648	107,184
Terms of exercise	After a period of at most 4 years after grant except in cases of resignation or dismissal for gross misconduct (faute lourde)		
Vesting date for options for the subscription to new shares or the purchase of existing shares	05/16/2011	03/06/2012	
Expiration date	05/15/2017	03/05/2018	
Subscription/purchase price	€25.20	€20.58	
Options for the subscription to new shares or the purchase of existing shares forfeited in 2007	(27,574)		(27,574)
Options for the subscription to new shares or the purchase of existing shares forfeited in 2008	(27,468)	(20,439)	(47,907)
<b>Options for the subscription to new shares or the purchase of existing shares remaining at 12/31/2008</b>	<b>1,583,095</b>	<b>1,994,800</b>	<b>3,577,895</b>
<i>Including options for the subscription to new shares or the purchase of existing shares exercisable in 2008</i>	<i>1,023</i>	<i>1,200</i>	<i>2,223</i>

Exercise of all options available under the various plans described above would represent maximum dilution of 1.4% of the Company's capital (without taking into account subscription payments received).

In evaluating options, the Group assigns a fair value based on the share price on the day of grant, and uses either a binomial model or the Black & Scholes model, based on the following assumptions:

Hypotheses	2007 Plan	2008 Plan
Risk-free interest rate	4.35%	3.40%
Anticipated volatility	28.70%	30.00%
Anticipated return	1.98%	3.47%

## Options for subscription to new shares or purchase of existing shares

### ■ 9.2.1.3 - RECAPITULATION

The table below shows the options granted to and exercised by ten highest beneficiaries who are not officers of the Company during the financial year ended December 31, 2008:

Options for the subscription to new shares or the purchase of existing shares granted to the ten highest beneficiaries other than corporate officers and options exercised by the same	Total number of options allocated/ of shares subscribed to or purchased	Average weighted exercise price					2008 Plan
			2003 Plan	2004 Plan	2005 Plan	2007 Plan	
Options granted during the year by the issuer and companies within the scope of allotments to the 10 employees of the issuer and these companies to whom the highest number of options were granted (total).	183,243	20.58	-	-	-	-	183,243
Options previously granted by the issuer and the companies referred to above and exercised in the course of the year by the 10 employees of the issuer and these companies having purchased or subscribed to the highest number of shares (total).	392,937	4.00	223,625	169,312	-	-	-

Information on options granted and exercised by corporate officers during the year ended December 31, 2008 is included in chapter 8.2.1.2 of this reference document.

### ■ 9.2.1.4 - IMPLEMENTATION OF STOCK-OPTION PLAN FOR 2009

Meeting on March 4, 2009, the Board of Directors approved the implementation of a stock-option plan for subscription to new shares or purchase of existing shares for 1,185,812 options as indicated below:

Information on options for the subscription or purchase of shares	2009 Plan
Date of Board of Directors' meeting	03/04/2009
Total number of shares that may be subscribed or purchased	1,185,812
Including number of shares that may be subscribed or purchased by Executive Directors	93,964
Terms of exercise	After a period of at most 4 years after grant except in case of resignation or dismissal for gross misconduct (faute lourde)
Subscription or purchase price	€13.12

Exercise of all options available under the plan described above would represent maximum dilution of 0.4% of the Company's capital (without taking into account subscription payments received).



## EMPLOYEES

Options for subscription to new shares or purchase of existing shares

### 9.2.2 - Options for subscription to new shares or purchases of existing shares granted by Legrand France

On November 13, 2001, Legrand France established a stock option plan open to all French employees above a certain level. The exercise price was equal to the average opening price of the shares on the Paris stock exchange in the 20 trading days prior to November 13, 2001. The options could be exercised in the three years following a four-year vesting period.

At its meetings on November 2, 2005 and February 8, 2006, the Board of Directors set up liquidity mechanisms enabling holders of options under the 2001 plan to sell to the Company the shares resulting from the exercise of these options.

At its meeting on October 17, 2008, the Board of Directors set up a new liquidity mechanism covering the period from October 20, 2008 to November 12, 2008, the expiration date of the plan.

The table below provides an overview of plans for the grant of options for the purchase of and subscription to Legrand France shares:

Type of plan	Subscription
<b>Date of grant</b>	<b>2001</b>
<b>Type of shares under option</b>	<b>Ordinary</b>
Number of grantees	9,122
Start date of exercise period	11/2005
Expiry date of exercise period	11/2008
Exercise price (in euros) before distribution of retained earnings	143.00
Exercise price (in euros) after distribution of retained earnings	104.68
<b>Number of options granted</b>	<b>178,766</b>
Options forfeited	
Balance at December 31, 2002	178,766
New options issued on November 15, 2003 in connection with distribution of retained earnings	21,353
Options exercised	
Options forfeited	(372)
Balance at December 31, 2003	199,747
New options issued on March 30, 2004 in connection with distribution of retained earnings	52,996
Options exercised	
Options forfeited	
Balance at December 31, 2004	252,743
Options exercised	
Options forfeited	(95)
Balance at December 31, 2005	252,648
Options exercised	(244,704)
Options forfeited	(465)
Balance at December 31, 2006	7,479
Options exercised	(9)
Options forfeited	(36)
Balance at December 31, 2007	7,434
Options exercised	(3,005)
Options forfeited	(4,429)
<b>BALANCE AT DECEMBER 31, 2008</b>	<b>0</b>

## Options for subscription to new shares or purchase of existing shares

The table below shows the options granted to and exercised by the officers and the 10 highest beneficiaries who are not officers of the Company during the financial year ended December 31, 2008:

	Number of options		Price of options <i>(in euros)</i>	Expiration date of options
	2008	2007	2008	2008
Options granted to corporate officers				
Olivier Bazil	-	-	-	-
François Grappotte	-	-	-	-
Gilles Schnepf	-	-	-	-
Options exercised by the corporate officers				
Olivier Bazil	-	-	-	-
François Grappotte	-	-	-	-
Gilles Schnepf	-	-	-	-
Options granted to 10 highest beneficiaries				
Options exercised by 10 highest beneficiaries				

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## EMPLOYEES

Free share allotments

### 9.3 - FREE SHARE ALLOTMENTS

The table below summarizes authorizations for the allotment of free shares granted by the Combined Ordinary and Extraordinary General Meeting of shareholders on May 15, 2007. Meeting on the

same day and on March 5, 2008, the Board of Directors approved the implementation of the free share plans listed below.

Transaction concerned	Duration of authorization and expiration date	Maximum number of shares to which allotments may entitle beneficiaries	Beneficiaries
<b>Allotment of free shares, on one or several occasions</b>	38 months July 15, 2010	5% of share capital of the Company at the grant date	Certain employees and/or officers of the Company and of a affiliated companies

Information on the free share plans	2007 Plan	2008 Plan	Total
Date of Board of Directors' meeting	05/15/2007	03/05/2008	
Total number of shares allotted	533,494	654,058	1,187,552
Of which to corporate officers	26,427	47,077	73,504
<i>Gilles Schnepf</i>	13,582	24,194	37,776
<i>Olivier Bazil</i>	12,845	22,883	35,728
Vesting conditions	After a period of at most 4 years except in cases of resignation or dismissal for gross misconduct (faute lourde)		
Free shares cancelled during 2007	(8,695)		(8,695)
Free shares vested during 2008	(546)		(546)
Free shares cancelled during 2008	(8,298)	(6,145)	(14,443)
<b>Total number of free shares outstanding at December 31, 2008</b>	<b>515,955</b>	<b>647,913</b>	<b>1,163,868</b>
<i>Of which free shares that became available during 2008</i>	<i>341</i>	<i>400</i>	<i>741</i>

If all free shares allotted vest, the resulting dilution of share capital would be 0.4%.

Meeting on March 4, 2009, the Board of Directors approved the implementation of a plan for the free allotment of 288,963 shares as described below:

Information on free share plan	2009 Plan
Date of Board of Directors' meeting	03/04/2009
Total number of free shares allotted	288,963
Including number of shares allotted to Executive Directors	23,491
Terms of allotment	After a period of at most 4 years except in cases of resignation or dismissal for gross misconduct (faute lourde)

If all free shares allotted vest, the resulting dilution of share capital would be 0.1%.



## 9.4 - PROFIT SHARING, EMPLOYEE SHARE OWNERSHIP/SAVINGS PLANS AND COMPANY INVESTMENT FUND

French companies with after-tax income exceeding a certain amount are required by law to share the benefits of their business development, a form of profit sharing referred to in French as *participation*.

In addition to this compulsory system, some French companies and their foreign subsidiaries share a portion of their profits with employees under separately negotiated arrangements. This form of profit sharing is referred to in French as *intéressement*.

The Group total for the two kinds of profit sharing rose from €31.7 million in 2006 to €32.5 million in 2007 and €32.7 million in 2008.

In France, Legrand and its French subsidiaries entered into new profit-sharing agreements on June 28, 2006, and ICM Group became a party to the same agreements. Total charges for the two kinds of profit sharing amounted to €26.3 million in the 2008 financial year, equaling 9.78% of payroll for the year in France. The particular arrangements described below concern Legrand and its French subsidiaries, these being the most significant cases.

### 9.4.1 - Participation

All employees on the payroll of the Company or one of its French subsidiaries for more than three months are entitled to a share of the amount allocated to a *réserve spéciale de participation*, which may be calculated on the basis of total sales in accordance with company agreements or, where this is to the advantage of

employees, in accordance with the general provisions of law. Since legislation dated December 3, 2008, these amounts may be paid immediately or be frozen for a five-year period, the choice being left up to each employee. In 2008, a total of €19.1 million was paid in respect of the year ended December 31, 2007.

### 9.4.2 - Intéressement

All employees on the payroll of the Company or one of its French subsidiaries for more than three months receive a fraction of profit proportional to their gross salaries. This amount, which may be paid immediately, must not, however, exceed 20%

of the employee's total annual compensation. In 2008, a total of €7.4 million was paid in respect of the year ended December 31, 2007.

### 9.4.3 - Group Share Ownership/Savings Plan (*Plan d'Épargne d'Entreprise*)

On January 30, 2004, the Company and its French subsidiaries set up a new employee share ownership/savings plan (*Plan d'Épargne d'Entreprise Groupe Legrand*). In accordance with the law, this allows all employees on Group payrolls in France for over three months to build savings through an investment fund (*Fonds Commun de Placement*) managed by an accredited institution. Employees are free to choose from a selection of funds. The sums paid into employees' accounts, which are by law frozen for a period of five years, may include mandatory profit-sharing (*participation légale*), company-based profit sharing

(*intéressement*), and voluntary payments, which are however subject to legal limitations. Administrative costs are borne by the company.

This Group Plan is effective for a renewable term of one year.

In 2006, a special Group employee share ownership/savings plan was set up under the name *Legrand Actionnariat* to allow employees collectively to take advantage of the Company's initial public offering at a discount from the offering price.

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## EMPLOYEES

Profit sharing, employee share ownership/savings plans and company mutual fund

### 9.4.4 - Company investment fund (*Fonds Commun de Placement d'Entreprise – FCPE*)

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As explained above, employees may invest the amounts credited to them but remaining frozen in various investment funds set up in accordance with relevant provisions of the law.

In 2003, Legrand set up a new fund, in addition to those already existing, under the name Legrand *Obligations Privées* (Legrand private-sector bonds), allowing employees to invest their profit-sharing payments during the period they remain frozen and earn a financial return similar to the rate of interest paid on the frozen employee accounts previously used for this purpose. In 2007, this return was set at 6.44%. At December 31, 2008, employee investments in this fund totaled €35.7 million.

On the occasion of the Company's initial public offering and the related capital increase reserved to employees, employees were allowed, as regards their participation in the savings/share-ownership plan, to choose between two compartments of the Legrand Cap 2011 fund set up for this purpose, one being Legrand Prudence and the other Legrand Performance. Units of these funds are frozen for five years from May 2, 2006, the settlement and delivery date for the capital increase reserved for employees.



# 10

## SHAREHOLDERS

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## 10.1 - PRINCIPAL SHAREHOLDERS

Unless otherwise indicated, the information presented in this chapter is dated December 31, 2008.

### 10.1.1 - Shareholding structure

At December 31, 2008, ownership of Legrand was as follows:

Shareholder	Interest	Voting rights
Wendel	30.7%	36.7%
KKR	30.7%	36.7%
Free float	30.7%	21.3%
Legrand management and employees (Plan d'Épargne Entreprise)	5.3%	5.3%
Treasury stock	2.6%	-

The 5.3% interest held by Legrand's management and its employees results, with respect to the main managers of the Group, from the exchange, on the occasion of the initial public offering, of the Lumina Management shares they held as investors, for Legrand shares, and, with respect to employees, from the capital increase reserved to employees in connection with the Company's initial public offering.

The Company has been informed of the following breaches of disclosure thresholds:

- Massachusetts Financial Services Company, MFS Investment Management, MFS Institutional Advisors, Inc., MFS International, Ltd. MFS International (UK) Limited, MFS Investment Management K.K. and MFS Investment Management (Lux) S.A. have declared that they hold for a third party or parties, with no possibility of exercising related voting rights for this interest without instructions from the client(s), a total of 5.11% of the Company's capital, thus exceeding the 3% threshold beyond which disclosure is required;
- Morgan Stanley Investment Management Ltd. has declared to the French market authority AMF that it holds, for third parties, 5.05% of the capital of the Company and 3.14% of voting rights, and thus breached the 5% threshold for required disclosure on February 10, 2009;
- Morgan Stanley Investment Management Ltd. has declared to the French market authority AMF that it holds, for third parties, 4.90% of the capital of the Company and 3.04% of voting rights, and thus breached, downward, the 5% threshold for required disclosure on April 9, 2009.

To the best knowledge of the Company, no other shareholder holds more than 5% of its share capital at the date of this reference document.

At December 31, 2008, the Company held 6,745,873 own shares representing 2.6% of capital stock.

By its decision dated April 16, 2008 reproduced in its *Décision et Information* 208C0715, the *Autorité des marchés financiers* (AMF) granted Wendel and KKR, at their request, an exemption from the requirement to file a proposal for a public offering pursuant to articles 234-9, 6° and 234-7, final paragraph, of its General Regulations. In this regard, the AMF noted that the two parties, whose separate voting rights will break above the one-third threshold as a result of the acquisition of double votes for the Company shares they hold in registered form, are declared associates acting in concert and jointly control, and will continue to jointly control following the acquisition of double voting rights, a majority of voting rights in the Company.

It is to be remembered that following the acquisition of the Company by the Consortium in December 2002, the Company's capital was wholly owned, with the exception of shares held by Directors, by the company Lumina Participation. In April 2006, Legrand, formerly named Legrand Holding and the parent company of Legrand France since the acquisition by the Consortium, obtained the admission of the shares representing its capital stock to trading on the Eurolist market of Euronext Paris. On that occasion, the Company made a capital increase through a call on the public with the issue of 43,689,298 shares for €862.9 million. In addition, the Company allowed employees to participate in Legrand's admission to trading through a capital increase on preferred terms reserved to employees in an amount of €36.4 million (after allowance for €9.1 million in discount expense) with the issue of 2,303,439 shares.

With the exception of double voting rights, as implemented on February 24, 2008, compulsory notice of thresholds breached, and operations noted above, there has been no significant change in the shareholder structure of the Company in the past three years.

## 10.1.2 - Control of the Company

### ■ 10.1.2.1 - CONTROL STRUCTURE

At December 31, 2008, the Company was controlled by Wendel and KKR, each holding 30.7%.

The Board of Directors ensures that its membership at all times includes at least two independent Directors with no interest in the Company as this is defined in the Board's internal regulations. At the registration date of this reference document, Gérard Lamarche and Thierry de La Tour d'Artaise serve as independent Directors.

A presentation of the independent Directors and the procedures for their selection appears in paragraph 8.3.1.1.2 of this reference document.

### ■ 10.1.2.2 - MAIN DIRECT AND INDIRECT SHAREHOLDERS

#### Wendel

Wendel is France's largest listed investment company and one of the largest in Europe. With the support of SLPS, a leading shareholder with nearly 35% of capital representing the combined interests of the 950 members of the Wendel family, Wendel pursues a strategy of long-term investment in service and manufacturing companies that are leaders in their sectors, aiming to accelerate their development and make them world leaders in their markets. Wendel backs highly committed management teams, contributes to the definition and implementation of strategies, and provides the financing needed to ensure their success. Since its foundation in 2002, Wendel has made investments totaling over €3.8 billion in companies with leading positions on their markets. In addition to the investment in Legrand in 2002, these include the acquisitions of Editis and of a majority interest in Bureau Veritas in 2004, and the acquisition

of Materis in 2006. Also in 2006, Wendel broadened the scope of its international strategy with the acquisitions of Deutsch in the United States, and of Stahl and AVR in the Netherlands. In the second half of 2007 and early 2008, Wendel acquired a 21.3% interest in Saint Gobain, making it the company's largest shareholder.

Wendel shares are traded on the Eurolist market of Euronext Paris.

Wendel's annual report can be accessed on the website of the French financial markets authority AMF ([www.amf-france.org](http://www.amf-france.org)) and downloaded from the Wendel website ([www.wendelgroup.com](http://www.wendelgroup.com)).

#### KKR

Founded in 1976, KKR is a leading international specialist in alternative management, focusing primarily on the management of private equity funds in North America, Europe and Asia. Over the years, KKR has adopted a long-term strategy for the companies in its portfolio, developing genuine partnerships with management teams to invest jointly in competitiveness and future growth. KKR sponsors funds including KKR Private Equity Investors, L.P. (NYSE Euronext Amsterdam: KPE), a private equity fund which participates in KKR investments, as well as credit strategy funds KKR Financial (NYSE; KFN) and KKR Strategic Capital Funds, which invest in debt. KKR has offices in New York, Menlo Park, San Francisco, Houston, London, Paris, Hong Kong, Beijing, Tokyo and Sydney.

### ■ 10.1.2.3 - SHARES HELD BY DIRECTORS

Each member of the Board of Directors is required to hold at least 500 Company shares.

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Directors' direct interests in the capital of the Company at December 31, 2008 are shown in the table below:

Name	Position	Number of shares	% of capital
Gilles Schnepf	Chairman and Chief Executive Officer	1,916,000	0.7
Olivier Bazil	Vice-Chairman and Chief Operating Officer	1,916,000	0.7
Mattia Caprioli	Director	500	-
Arnaud Fayet	Director	500	-
Jacques Garaïalde	Director	500	-
Edward A. Gilhuly	Director	500	-
François Grappotte	Director	1,916,000	0.7
Jean-Bernard Lafonta	Director	500	-
G�rard Lamarche	Director	500	-
Thierry de La Tour d'Artaise	Director	500	-
Ernest-Antoine Seilli�re	Director	500	-
<b>TOTAL</b>		<b>5,752,000</b>	<b>2.1</b>

## 10.2 - SHAREHOLDERS' AGREEMENT AND SPECIFIC AGREEMENTS

Wendel and KKR entered into a shareholders' agreement on March 21, 2006 (the "Shareholders' Agreement"), in the context of the initial public offering. The main provisions of the

Shareholders' Agreement, as communicated to the Company, are described below.

### 10.2.1 - Basic principles

Considering the understanding between Wendel and KKR, each of them has agreed not to make any purchase of Company shares that would result in an obligation under French law to file a public tender offer for the shares of the Company unless it assumes the full consequences of such a tender offer alone. In the event that one of the parties succeeds with such an offer, the

Shareholders' Agreement will be amended to (i) allow the other party (which party will have become a minority shareholder) veto rights on certain significant decisions regarding the Company for so long as this party holds at least 20% of the voting rights of the Company and (ii) grant tag-along rights in the event the party holding majority ownership of the Company sells its interest.

### 10.2.2 - Corporate Governance

The management of the Company is entrusted to a Board of Directors, the responsibilities and operation of which are described in chapters 8 and 12 of this reference document.

The Board of Directors is made up of three Directors proposed by Wendel, three Directors proposed by KKR, two independent Directors (currently G rard Lamarche and Thierry de La Tour

d'Artaise) and Gilles Schnepf, Olivier Bazil and François Grappotte. The Board of Directors has three committees, the missions and membership of which are described in section 8.3.1.2 of this reference document.

Without prejudice to the voting rights of the shareholders in general meetings, Wendel and KKR have agreed that, during a period of two years and three months from the date of the admission of the Company's shares to trading on the Eurolist market of Euronext Paris, i.e., until July 6, 2008, they will vote at Shareholders' Meetings in such a way that members proposed by Wendel and KKR remain in the majority on the Board of Directors. Throughout this period, the seats on the Board of Directors held

by members proposed by Wendel and by KKR will represent each equally, regardless of their respective shareholdings in the Company.

At the end of this period of two years and three months, the distribution of seats on the Board held by Directors proposed by Wendel and KKR may be altered in the event that the interest of either in the Company changes.

Should the combined interests of Wendel and KKR in the Company become less than one third of the voting rights of the Company, the voting agreements between KKR and Wendel will be terminated, as explained in section 10.2.4 below.

## 10.2.3 - Exit mechanisms

### ■ 10.2.3.1 - RESTRICTED PERIOD

Since April 8, 2008, KKR and Wendel have no longer been bound by the terms of the Shareholders Agreement under which they agreed not to dispose of any shares of the Company, with the exception of disposals to related parties and sales of limited numbers of shares (in accordance with thresholds defined in order to limit the impact of such disposals on the share price), it being specified that such disposals require prior notice to the other party.

### ■ 10.2.3.2 - POST RESTRICTED PERIOD

If at any time during the term of the Shareholders' Agreement, either KKR or Wendel wish to carry out a secondary offering of its shares in the Company in an amount greater than €150 million, or if either of them wishes to dispose of a block of Company shares in an amount greater than €100 million, the other party will be entitled to tag along on such secondary offering or disposal. This right does not apply with respect to any distribution of Company

shares to shareholders of Wendel or KKR, or in the event of the issuance of securities convertible into or exchangeable for Company shares (convertible bonds, etc.) or in the event that the Company's securities are used as consideration in another, more comprehensive transaction.

KKR and Wendel will have the Company undertake to take certain action in the context of any secondary offerings such as to allow orderly placement of their shares on the market.

Any sale of shares by either Wendel or KKR to an industrial group in an amount greater than €100 million will require the prior consent of the other party.

Wendel and KKR will each have a right of first refusal in the event that the other intends to sell Company shares. This right of first refusal will not apply to the distribution of Company shares to shareholders of Wendel or KKR, or to the issuance of securities convertible into or exchangeable for shares of the Company (such as convertible bonds).

## 10.2.4 - Termination

The Shareholders' Agreement will terminate on the earliest of (i) the date on which the combined shareholding in the Company of Wendel and KKR represents less than one-third of the voting rights of the Company, (ii) the date on which the shareholding

of either Wendel or KKR represents less than 5% of the voting rights of the Company; or (iii) the fifth anniversary of the initial public offering of the Company's shares on Euronext Paris.

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## 10.3 - RELATED-PARTY TRANSACTIONS

Significant transactions entered into by, or continued between, the Company and related parties (see note 24 appended to the consolidated financial statements included in chapter 11 of this reference document, as well as the special report of the auditors in appendix 5) since January 1, 2003 and which remain in effect at the date of registration of this reference document, are, to the exclusion of those relating to inter-company debt, as follows:

- the tax consolidation agreement, the scope of which includes, among others, Alpes Technologies, Arnould FAE, Baco, Chessy, Distrasa, Inovac, Legrand SNC, Pammelec, Planet Watthom, Sarlam, Sofrelec, Sute, URA, Arnould Planet Watthom and, Chateaudun Développement 3 (ICM Group);
- the supplementary pension plan for the members of the Group's Executive committee subject to the public pension régime for payroll employees in France. Supplementary pension entitlements are calculated to ensure that the beneficiaries receive a total retirement pension equal to 50% of the average of the two highest amounts of annual compensation received during the last three years of employment with Legrand. To receive the supplementary pension, the person concerned must be at least 60 years of age and must have been employed by Legrand for at least ten years. Upon such a beneficiary's death, the beneficiary's surviving spouse will receive 60% of the pension;
- the 2006 credit facility agreement which qualifies as an operation requiring disclosure given the identity of the beneficiaries, Legrand and a number of its subsidiaries, and the presence of a Director serving on the boards of both Legrand and BNP Paribas (See section 7.5.2.1 and the Statutory Auditor's report on regulated agreements and commitments, reproduced in appendix 5 of this reference document).



# 11

## FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES OF THE GROUP

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## FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES OF THE GROUP

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2008, December 31, 2007 and December 31, 2006

### 11.1 - CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS STANDARDS FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2008, DECEMBER 31, 2007 AND DECEMBER 31, 2006

#### 11.1.1 - Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2008, December 31, 2007 and December 31, 2006

##### 11.1.1.1 - CONSOLIDATED STATEMENT OF INCOME IN ACCORDANCE WITH IFRS STANDARDS

<i>(in € millions)</i>	Legrand 12 months ended December 31,		
	2008	2007	2006
<b>Revenue (note 1 (k))</b>	<b>4,202.4</b>	<b>4,128.8</b>	<b>3,736.8</b>
<b>Operating expenses</b>			
Cost of sales	(2,070.0)	(2,060.5)	(1,881.7)
Administrative and selling expenses	(1,144.6)	(1,081.8)	(977.7)
Research and development costs	(208.3)	(219.5)	(237.9)
Other operating income (expense) (note 19 (b))	(136.7)	(105.5)	(109.9)
<b>Operating profit (note 19)</b>	<b>642.8</b>	<b>661.5</b>	<b>529.6</b>
Finance costs (note 20 (b))	(151.7)	(152.4)	(157.4)
Financial income (note 20 (b))	29.1	42.5	33.7
Exchange gains (losses) (note 20 (a))	(25.3)	44.0	40.4
Loss on extinguishment of debt (note 14 (a))	0.0	0.0	(109.0)
Finance costs and other financial income and expense, net	(147.9)	(65.9)	(192.3)
Share of profit of associates	0.0	2.0	0.8
<b>Profit before tax</b>	<b>494.9</b>	<b>597.6</b>	<b>338.1</b>
Income tax expense (note 21)	(143.4)	(175.0)	(82.9)
<b>Profit for the period</b>	<b>351.5</b>	<b>422.6</b>	<b>255.2</b>
<b>Attributable to:</b>			
■ Legrand	<b>349.9</b>	<b>421.0</b>	<b>252.0</b>
■ Minority interests	<b>1.6</b>	<b>1.6</b>	<b>3.2</b>
Basic earnings per share (euros) (notes 10 and 1 (s))	1.365	1.584	1.019
Diluted earnings per share (euros) (notes 10 and 1 (s))	1.357	1.573	1.009

The accompanying Notes are an integral part of these financial statements.

FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES,  
FINANCIAL POSITION AND PROFITS AND LOSSES OF THE GROUP

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2008,  
December 31, 2007 and December 31, 2006

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■ 11.1.1.2 - CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH IFRS STANDARDS

Assets

<i>(in € millions)</i>	Legrand		
	December 31, 2008	December 31, 2007	December 31, 2006
<b>Current assets</b>			
Cash and cash equivalents (note 1 (d))	254.4	221.1	178.9
Marketable securities (note 9)	305.3	0.2	0.4
Income tax receivables	11.0	12.3	14.2
Trade receivables (notes 1 (e) and 7)	621.7	646.2	620.8
Other current assets (note 8)	139.8	145.5	132.2
Inventories (notes 1 (i) and 6)	602.9	624.4	560.1
Other current financial assets (note 23)	5.0	11.8	22.2
<b>TOTAL CURRENT ASSETS</b>	<b>1,940.1</b>	<b>1,661.5</b>	<b>1,528.8</b>
<b>Non-current assets</b>			
Intangible assets (notes 1 (f) and 2)	1,772.7	1,784.3	1,840.0
Goodwill (notes 1 (g) and 3)	1,854.3	1,815.9	1,633.2
Property, plant and equipment (notes 1 (h) and 4)	722.2	756.7	789.2
Investments in associates (note 5)	0.0	14.0	10.5
Other investments (note 5)	13.1	8.3	5.0
Deferred tax assets (notes 1 (j) and 21)	76.4	64.3	124.6
Other non-current assets	4.9	4.6	4.8
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,443.6</b>	<b>4,448.1</b>	<b>4,407.3</b>
<b>TOTAL ASSETS</b>	<b>6,383.7</b>	<b>6,109.6</b>	<b>5,936.1</b>

The accompanying Notes are an integral part of these financial statements.

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**FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES,  
FINANCIAL POSITION AND PROFITS AND LOSSES OF THE GROUP**

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2008, December 31, 2007 and December 31, 2006

## Equity and liabilities

<i>(in € millions)</i>	Legrand		
	December 31, 2008	December 31, 2007	December 31, 2006
<b>Current liabilities</b>			
Short-term borrowings (note 17)	401.3	654.7	790.7
Income tax payable	12.1	39.6	32.7
Trade payables	410.4	474.0	454.4
Short-term provisions and other current liabilities (note 18)	508.4	497.9	436.8
Other current financial liabilities (note 23)	0.0	86.9	66.6
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,332.2</b>	<b>1,753.1</b>	<b>1,781.2</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities (notes 1 (j) and 21)	638.9	654.9	663.9
Long-term provisions and other non-current liabilities (note 15)	62.5	81.0	109.8
Provisions for pensions and other post-employment benefits (notes 1 (q) and 16)	144.1	125.1	147.6
Long-term borrowings (note 14)	2,020.2	1,364.4	1,055.5
Subordinated perpetual Notes (note 13)	0.0	0.0	9.5
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,865.7</b>	<b>2,225.4</b>	<b>1,986.3</b>
<b>Equity</b>			
Share capital (note 10)	1,051.3	1,083.9	1,078.8
Retained earnings (note 12 (a))	1,378.3	1,238.4	1,217.6
Translation reserves (note 12 (b))	(249.4)	(194.0)	(136.6)
Equity attributable to equity holders of Legrand	2,180.2	2,128.3	2,159.8
Minority interests	5.6	2.8	8.8
<b>TOTAL EQUITY</b>	<b>2,185.8</b>	<b>2,131.1</b>	<b>2,168.6</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>6,383.7</b>	<b>6,109.6</b>	<b>5,936.1</b>

The accompanying Notes are an integral part of these financial statements.

## FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES OF THE GROUP

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2008,  
December 31, 2007 and December 31, 2006

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### 11.1.1.3 - CONSOLIDATED STATEMENT OF CASH FLOWS IN ACCORDANCE WITH IFRS STANDARDS

(in € millions)	Legrand		
	12 months ended December 31,		
	2008	2007	2006
<b>Profit for the period</b>	<b>351.5</b>	<b>422.6</b>	<b>255.2</b>
Reconciliation of profit for the period to net cash provided by operating activities:			
■ Depreciation expense (note 19 (a))	136.1	131.5	142.0
■ Amortization expense (note 19 (a))	71.8	76.2	98.0
■ Amortization of development costs (note 19 (a))	9.2	8.2	3.4
■ Amortization of finance costs	1.4	1.4	2.1
■ Loss on extinguishment of debt	0.0	0.0	109.0
■ Changes in deferred taxes	(15.0)	46.1	(14.5)
■ Changes in other non-current assets and liabilities	9.0	(5.8)	0.2
■ Share of profit of associates	0.0	(2.0)	(0.8)
■ Exchange (gain)/loss, net	20.2	(4.0)	(0.9)
Other adjustments	8.2	6.9	26.1
(Gains)/losses on sales of assets, net	3.6	(12.9)	(1.1)
(Gains)/losses on sales of securities, net	0.0	(0.2)	0.0
Changes in operating assets and liabilities:			
■ Inventories	22.7	(32.6)	(74.5)
■ Trade receivables	24.0	(13.5)	(38.4)
■ Trade payables	(65.6)	18.3	62.4
■ Other operating assets and liabilities	<b>0.4</b>	<b>45.3</b>	<b>13.3</b>
<b>Net cash provided by operating activities</b>	<b>577.5</b>	<b>685.5</b>	<b>581.5</b>
Net proceeds from sales of fixed and financial assets	12.5	38.8	27.5
Capital expenditure	(131.0)	(149.4)	(130.8)
Capitalized development costs	(29.4)	(22.0)	(22.1)
Changes in non-current financial assets and liabilities	(0.3)	(0.4)	(0.5)
Proceeds from sales of marketable securities	0.0	0.1	0.1
Acquisitions of subsidiaries, net of the cash acquired (note 3)	(123.6)	(265.1)	(85.9)
Investments in non-consolidated entities	(8.7)	(5.2)	(2.0)
<b>Net cash used in investing activities</b>	<b>(280.5)</b>	<b>(403.2)</b>	<b>(213.7)</b>
■ Proceeds from issues of share capital (note 10)	3.9	5.1	866.2
■ Share buybacks and transactions under the liquidity contract (note 10)	(85.5)	(280.8)	0.0
■ Dividends paid to equity holders of Legrand	(180.0)	(133.1)	(110.6)
■ Dividends paid by Legrand subsidiaries	(1.4)	(3.0)	(3.2)
■ Reduction of subordinated perpetual Notes	0.0	(9.5)	(19.0)
■ Proceeds from new borrowings and drawdowns	770.9	418.3	2,255.8
■ Repayment of borrowings	(102.1)	(124.5)	(3,444.9)
■ Debt issuance costs	0.0	(0.5)	(6.1)
■ Loss on extinguishment of debt	0.0	0.0	(109.0)
■ Purchases of marketable securities	(304.7)	0.0	0.0
■ Increase (reduction) in bank overdrafts	(357.4)	(106.2)	258.5
<b>Net cash (used in) provided by financing activities</b>	<b>(256.3)</b>	<b>(234.2)</b>	<b>(312.3)</b>
Effect of exchange rate changes on cash and cash equivalents	(7.4)	(5.9)	(9.8)
<b>Increase in cash and cash equivalents</b>	<b>33.3</b>	<b>42.2</b>	<b>45.7</b>
Cash and cash equivalents at the beginning of the period	221.1	178.9	133.2
<b>Cash and cash equivalents at the end of the period</b>	<b>254.4</b>	<b>221.1</b>	<b>178.9</b>
Items included in cash flows:			
■ Free cash flow	429.6	552.9	456.1
■ Interest paid during the period	101.7	102.0	122.1
■ Income taxes paid during the period	177.4	109.5	86.3

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**FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES,  
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Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2008, December 31, 2007 and December 31, 2006

The accompanying Notes are an integral part of these financial statements.

**11.1.1.4 - CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN ACCORDANCE WITH IFRS STANDARDS**

<i>(in € millions)</i>	Equity attributable to equity holders of Legrand				Minority interests	Total equity
	Share capital	Retained earnings	Translation reserves	Total		
<b>As of December 31, 2006</b>	<b>1,078.8</b>	<b>1,217.6</b>	<b>(136.6)</b>	<b>2,159.8</b>	<b>8.8</b>	<b>2,168.6</b>
Profit for the period		421.0		421.0	1.6	422.6
Income (expenses) recognized directly in equity, net		6.7	(57.4)	(50.7)		(50.7)
<i>Total recognized income and expenses, net</i>		<i>427.7</i>	<i>(57.4)</i>	<i>370.3</i>	<i>1.6</i>	<i>371.9</i>
Dividends paid		(133.1)		(133.1)	(3.0)	(136.1)
Issues of share capital (note 10)	5.1			5.1		5.1
Share buybacks and transactions under the liquidity contract (note 10)		(280.8)		(280.8)		(280.8)
Buyout of minority interests				0.0	(4.6)	(4.6)
Stock options		7.0		7.0		7.0
<b>As of December 31, 2007</b>	<b>1,083.9</b>	<b>1,238.4</b>	<b>(194.0)</b>	<b>2,128.3</b>	<b>2.8</b>	<b>2,131.1</b>
Profit for the period		349.9		349.9	1.6	351.5
Income (expenses) recognized directly in equity, net		1.5	(55.4)	(53.9)	1.3	(52.6)
<i>Total recognized income and expenses, net</i>		<i>351.4</i>	<i>(55.4)</i>	<i>296.0</i>	<i>2.9</i>	<i>298.9</i>
Dividends paid		(180.0)		(180.0)	(1.4)	(181.4)
Issues of share capital (note 10)	3.9			3.9		3.9
Cancellation of shares acquired under the share buyback program (note 10)	(36.5)	36.5		0.0		0.0
Share buybacks and transactions under the liquidity contract (note 10)		(85.5)		(85.5)		(85.5)
Change in scope of consolidation		0.0		0.0	1.3	1.3
Stock options		17.5		17.5		17.5
<b>As of December 31, 2008</b>	<b>1,051.3</b>	<b>1,378.3</b>	<b>(249.4)</b>	<b>2,180.2</b>	<b>5.6</b>	<b>2,185.8</b>

**Total recognized income and expenses, net**

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Profit for the period	351.5	422.6	255.2
Actuarial gains and losses (notes 1, 1 (q) and 16)	(24.5)	9.7	(12.3)
Deferred taxes on actuarial gains and losses	9.3	(3.0)	4.7
Current taxes on share buybacks*	16.7	0.0	0.0
Translation reserves (note 12 (b))	(54.1)	(57.4)	(72.6)
<b>TOTAL</b>	<b>298.9</b>	<b>371.9</b>	<b>175.0</b>

\* Tax benefit related to impairment losses on treasury shares recognized in the statutory financial statements.

The accompanying Notes are an integral part of these financial statements.

## 11.1.2 - Notes to the consolidated financial statements

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### ■ GENERAL INFORMATION

Legrand (formerly Legrand Holding SA) ("the Company") and its subsidiaries (together "Legrand" or "the Group") are the global specialist in products and systems for electrical installations and information networks where people live and work.

The Group has manufacturing and/or distribution subsidiaries and offices in more than 70 countries, and sells its products in more than 180 national markets. Its key markets are France, Italy and the United States, which accounted for approximately 54% of annual revenue in 2008 (2007: 57%; 2006: 61%), and it has also considerably strengthened its presence in the Rest of the World and Rest of Europe zones in the past years.

The Company is a *société anonyme* (public limited company) incorporated and domiciled in France. Its registered office is located at 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges (France).

The base prospectus (document de base) prepared in connection with the Company's stock market flotation was registered with the French securities regulator (*Autorité des Marchés Financiers* - "AMF") on February 21, 2006 under no. 1.06-009 and the offering circular (*note d'opération*) was approved by the AMF on March 22, 2006 under visa no. 06.082. Trading in Legrand shares on Euronext™ Paris began on April 7, 2006.

The 2007 Registration Document was registered with the AMF on April 23, 2008 under no. R.08-029.

The consolidated financial statements were approved by the Board of Directors on February 10, 2009.

### ■ LIST OF CONSOLIDATED COMPANIES

The consolidated financial statements comprise the financial statements of Legrand and 146 subsidiaries. All Legrand Group subsidiaries are fully consolidated.

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The main fully consolidated operating subsidiaries as of December 31, 2008 are as follows:

French subsidiaries:		French subsidiaries:	
Groupe Arrould	ICM Group	Inovac	Legrand France
Legrand SNC	Planet-Wattohm		
Foreign subsidiaries:		Foreign subsidiaries:	
Bticino	Italy	Bticino de Mexico	Mexico
EMB Electrical Industries SAE	Egypt	GL Eletro-Eletronicos Ltda	Brazil
HPM Industries	Australia	Kontaktor	Russia
Legrand	Greece	Legrand	Russia
Legrand Colombia	Colombia	Legrand Electric	United Kingdom
Legrand Electrica	Portugal	Legrand Electrical	China
Legrand Elektrik	Turkey	Legrand Électrique	Belgium
Legrand España	Spain	Legrand India	India
Legrand Polska	Poland	Legrand SNC FZE	United Arab Emirates
Legrand Zrt	Hungary	Ortronics	United States
Pass & Seymour	United States	Rocom	Hong Kong
Shidean	China	TCL International Electrical	China
TCL Wuxi	China	The Wiremold Company	United States
Van Geel Legrand	Netherlands	Watt Stopper	United States
Zucchini	Italy		

The contributions to the consolidated balance sheets and income statements of companies acquired since January 1, 2006 were as follows:

2006	March 31	June 30	September 30	December 31
Cemar		Balance sheet only	3 months' profit	6 months' profit
Shidean		Balance sheet only	Balance sheet only	12 months' profit
Vantage			Balance sheet only	Balance sheet only

2007	March 31	June 30	September 30	December 31
Cemar	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Shidean	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Vantage	3 months' profit	6 months' profit	9 months' profit	12 months' profit
HPM Industries	2 months' profit	5 months' profit	8 months' profit	11 months' profit
UStec	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Kontaktor			Balance sheet only	Balance sheet only
Macse				Balance sheet only
Alpes Technologies				Balance sheet only
TCL Wuxi				Balance sheet only



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2008	March 31	June 30	September 30	December 31
Kontaktor	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Macse	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Alpes Technologies	3 months' profit	6 months' profit	9 months' profit	12 months' profit
TCL Wuxi	3 months' profit	6 months' profit	9 months' profit	12 months' profit
PW Industries	2 months' profit	5 months' profit	8 months' profit	11 months' profit
Estap		3 months' profit	6 months' profit	9 months' profit
HDL		3 months' profit	6 months' profit	9 months' profit
Electrak		3 months' profit	6 months' profit	9 months' profit

Entities consolidated for the first time in 2008, as shown in the table above, contributed to the Group's revenue for €135.8 million. Their contribution to consolidated operating profit was €4.6 million including impacts due to their integration and €10.6 million excluding these impacts.

Details of acquisitions made between January 1, 2008 and December 31, 2008 are as follows:

### PW Industries

In February 2008, Legrand acquired 100% of the capital of PW Industries, a North American company specializing in ceiling cable tray systems for commercial and industrial applications.

### Estap

In April 2008, Legrand acquired 100% of the capital of Estap, no. 1 for VDI enclosures and cabinets in Turkey.

### HDL

In April 2008, Legrand acquired 100% of the capital of HDL, no. 1 in Brazil for audio and video entry phones.

### Electrak

In May 2008, Legrand acquired 100% of the capital of Electrak, a UK leader for underfloor cable management solutions for commercial segments.

## NOTE 1 - ACCOUNTING POLICIES

As a company incorporated in France, Legrand is governed by French company law, including the provisions of the Commercial Code.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations applicable as of December 31, 2008, as adopted by the European Union without modification.

The Group early adopted IFRS 8 – Operating Segments effective from January 1, 2008.

The amendments to IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures concerning the reclassification of financial assets, that were adopted by the European Union on October 15, 2008 and were applicable at December 31, 2008, have not had any impact on the consolidated financial statements.

The new IFRS and IFRIC interpretations whose application will be compulsory as from the 2009 fiscal year are presented in note 1 v).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1 u).

The consolidated financial statements have been prepared using the historical cost convention, except for certain classes of assets and liabilities that are measured in accordance with IFRS. The classes concerned are mentioned in the notes below.

### A) BASIS OF PRESENTATION AND ACQUISITION OF LEGRAND FRANCE

Prior to December 10, 2002, Legrand (formerly Legrand Holding SA) had no significant operations of its own. On December 10, 2002, it acquired 98% of the outstanding share capital of Legrand France, followed by the remaining 2% on October 2, 2003, to create the Group.

The acquisition price and related fees and commissions, representing a total of €3,748.0 million, were allocated primarily to trademarks and developed technology.



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### B) BASIS OF CONSOLIDATION

Subsidiaries controlled by the Group are fully consolidated. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date when effective control is transferred to the Group. They are deconsolidated from the date on which control ceases.

The subsidiaries excluded from the scope of consolidation are all companies that were acquired or created only recently. In 2008, these companies represented combined non-current assets of around €6.5 million and combined revenue of less than €16.0 million.

Associates are entities over which the Group has significant influence but not control. Significant influence is generally considered to be exercised when the Group holds 20 to 50% of the voting rights. Investments in associates are initially recognized at cost and are subsequently accounted for by the equity method.

### C) FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the presentation currency using the exchange rate on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies using the exchange rate at the balance sheet date are recognized in the income statement under the heading "Exchange gains (losses)".

Assets and liabilities of Group entities whose functional currency is different from the presentation currency are translated using the exchange rate at the balance sheet date. Statements of income are translated using the average exchange rate for the period. Gains or losses arising from the translation of the financial statements of foreign subsidiaries are recognized directly in equity, under "Translation reserves", until the entities are sold or substantially liquidated.

### D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, short-term deposits and all other financial assets with an original maturity not in excess of three months. Cash equivalents are short-term (defined as maturing in less than three months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Marketable securities are not considered as cash equivalents.

Bank overdrafts are considered to be a form of financing and are therefore included in short-term borrowings.

### E) TRADE RECEIVABLES

Trade receivables are measured at fair value. A provision for impairment is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

### F) INTANGIBLE ASSETS

In accordance with IAS 36 - Impairment of Assets, when events or changes in market environment indicate that an intangible asset or item of property, plant and equipment may be impaired, the item concerned is tested for impairment to determine whether its carrying amount is greater than its recoverable amount, defined as the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the use and subsequent sale of the asset.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on intangible assets may be reversed in subsequent periods if there is objective evidence that the impairment no longer exists or has decreased, provided that the increased carrying amount of the asset attributable to the reversal of the impairment loss does not exceed the carrying amount that would have been determined (net of amortization) had no impairment loss been recognized for the asset in prior years.

Costs incurred for the Group's principal development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be a success, considering its technical, commercial and technological feasibility, and costs can be measured reliably. Capitalized development costs are amortized from the starting date of the sale of the product on a straight-line basis over the period in which the asset's future economic benefits are consumed, not to exceed 10 years.

Other development expenditures are recognized as an expense as incurred.

Developed technology is amortized on an accelerated basis, in a manner that reflects the pattern in which the assets' economic benefits are consumed.

Trademarks with finite useful lives are amortized:

- over 10 years when management plans to gradually replace them by other major trademarks owned by the Group;
- over 20 years when management plans to replace them by other major trademarks owned by the Group only over the long term or when, in the absence of such an intention, management considers that the trademarks may be threatened by a major competitor in the long term.

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Amortization of developed technology is recognized in the income statement under "Research and development costs".

Amortization of trademarks is recognized in the income statement under "Administrative and selling expenses".

Trademarks are classified as having an indefinite useful life when they have been in use for more than ten years and management believes they will contribute indefinitely to future consolidated cash flows because it plans to continue using them indefinitely. Useful lives are reviewed at regular intervals, leading in some cases to trademarks classified as having an indefinite useful life being reclassified as trademarks with a finite useful life.

Trademarks are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

### G) GOODWILL

Goodwill is tested for impairment annually, in the fourth quarter of each year, and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

For impairment testing purposes, goodwill is allocated to a cash-generating unit (CGU), corresponding to the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Within the Legrand Group, CGUs are defined as corresponding to individual countries.

The need to record an impairment loss is assessed by comparing the carrying amount of the CGU's assets and liabilities, including goodwill, and their recoverable amount, defined as the higher of fair value less costs to sell and value in use.

In accordance with IAS 36, value in use is estimated based on discounted cash flows for the next three to five years and a terminal value calculated by discounting data for the final year of the projection period. The cash flow data used for the calculation is generally taken from the most recent business plans approved by the Group. Cash flows beyond the projection period are estimated by applying a stable growth rate to subsequent years.

Fair value less costs to sell is the best estimate of the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognized when the carrying amount is less than the recoverable amount. In accordance with IAS 36, impairment losses recognized on goodwill are irreversible.

### H) PROPERTY, PLANT AND EQUIPMENT

Land, buildings, machinery and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Impairment tests are performed annually and whenever events or changes in circumstances indicate that the assets' carrying amount may not be recoverable.

Assets acquired under lease agreements that transfer substantially all of the risks and rewards of ownership to the Group are capitalized on the basis of the present value of future minimum lease payments and are depreciated over the shorter of the lease period and the asset's useful life determined in accordance with Group policies (see below).

Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets; the most commonly adopted useful lives are the following:

Light buildings	25 years
Standard buildings	40 years
Machinery and equipment	8 to 10 years
Tooling	5 years
Office furniture and equipment	5 to 10 years

The depreciable amount of assets is determined after deducting their residual value when the amounts involved are material.

Each part of an item of property, plant and equipment with a useful life that is significantly different to the useful lives of other parts is depreciated separately.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

### I) INVENTORIES

Inventories are measured at the lower of cost and net realizable value, with cost determined principally on a first-in, first-out (FIFO) basis. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### J) DEFERRED TAXES

In accordance with IAS 12, deferred taxes are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amount in the consolidated balance sheet. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

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Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and deferred tax liabilities are offset when the entity has a legally enforceable right of offset and they relate to income taxes levied by the same taxation authority.

### K) REVENUE RECOGNITION

Revenues from the sale of goods are recognized when all of the following conditions have been satisfied: (i) the significant risks and rewards of ownership of the goods have been transferred to the buyer; (ii) the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the seller; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably. For the Group, this policy results in the recognition of revenue when title and the risk of loss are transferred to the buyer, which is generally upon shipment.

The Group offers certain sales incentives to customers, consisting primarily of volume rebates and cash discounts. Volume rebates are typically based on three, six, and twelve-month arrangements with customers, and rarely extend beyond one year. To the extent that the volume of a customer's future purchases can be reasonably estimated based on historical evidence, the Group recognizes the rebates on a monthly basis as a reduction in revenue from the underlying transactions that reflect progress by the customer towards earning the rebate, with a corresponding deduction from the customer's trade receivables balance.

### L) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, short-term deposits, accounts receivable, accounts payable, accrued expenses and short-term borrowings approximate their fair value because of these instruments' short maturities. For short-term investments, comprised of marketable securities, fair value corresponds to the securities' market price. The fair value of long-term borrowings is estimated on the basis of interest rates currently available for issuance of debt with similar terms and remaining maturities. The fair value of interest rate swap agreements is the estimated amount that the counterparty would receive or pay to terminate the agreements, and is calculated as the present value of the estimated future cash flows.

### M) DERIVATIVE FINANCIAL AND COMMODITY INSTRUMENTS

Group policy consists of not entering into any transactions of a speculative nature involving financial instruments. All transactions in these instruments are entered into exclusively for the purpose of managing or hedging currency or interest

rate risks, and changes in the prices of raw materials. For this purpose, the Group periodically enters into contracts such as swaps, caps, options, futures and forward contracts, according to the nature of its exposure.

Derivatives are initially recognized at fair value at the contract inception date and are subsequently remeasured at fair value at each reporting date. The method of recognizing the resulting gain or loss depends on whether the derivative qualifies for hedge accounting, and if so, the nature of the item being hedged.

Although derivative instruments are used to hedge risks, the Group has opted not to apply the hedge accounting technique defined in IAS 39 but to measure all of these instruments at fair value through profit. The resulting gains and losses are recognized in 'Other financial income and expense' for interest rate hedges, in "Exchange gains and losses" for hedges of foreign currency transactions and in "Operating profit" for commodity hedges.

The fair values of derivative instruments used for hedging purposes are disclosed in note 23.

### N) ENVIRONMENTAL AND PRODUCT LIABILITIES

In accordance with IAS 37, the Group recognizes losses and accrues liabilities relating to environmental and product liability matters. A loss is recognized if available information indicates that it is probable and reasonably estimable. In the event that a loss is neither probable nor reasonably estimable but remains possible, the contingency is disclosed in the notes to the consolidated financial statements.

Losses arising from environmental liabilities are measured on a best-estimate basis, case by case, based on available information.

Losses arising from product liability issues are estimated on the basis of current facts and circumstances, past experience, the number of claims and the expected cost of administering, defending and, in some cases, settling such cases.

In accordance with IFRIC 6 - Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment, the Group manages waste equipment under the European Union Directive on waste electrical and electronic equipment by paying financial contributions to a recycling platform.

### O) SHARE BASED PAYMENT TRANSACTIONS

The Group operates equity-settled, share based compensation plans.

The cost of stock options is measured at the fair value of the award on the grant date, using the Black & Scholes option pricing model or the binomial model, and is recognized in the income statement under "Employee benefits expense" on a straight-line basis over the vesting period with a corresponding adjustment to equity. Changes in the fair value of stock options after the grant date are not taken into account.

In accordance with IFRS 2, only the cost of options granted after November 7, 2002 that had not yet vested at January 1, 2005 is measured and recognized in profit.

## P) TRANSFERS AND USE OF FINANCIAL ASSETS

In accordance with IAS 39, financial assets are derecognized when the associated cash flows and substantially all the related risks and rewards have been transferred.

## Q) PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

### (a) Pension obligations

Group companies operate various pension plans. The plans are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans.

#### *Defined contribution plans*

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Contributions are recognized as an expense for the period of payment.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in current and prior periods.

#### *Defined benefit plans*

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and end-of-career salary.

The liability recognized in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, as adjusted for unrecognized past service costs, less the fair value of plan assets. Past service costs are recognized in the income statement on a straight-line basis over the average remaining vesting period.

The Group has elected to recognize all actuarial gains and losses outside profit or loss, in the statement of recognized income and expense, as allowed under IAS 19, paragraph 93A s. (amended).

Defined benefit obligations are calculated annually using the projected unit credit method. This method takes into account estimated years of service at retirement, final salaries, life expectancy and staff turnover, based on actuarial assumptions. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of investment grade corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the period to payment of the related pension liability.

### (b) Other post-employment benefit obligations

Some Group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining with the company up to retirement age and completion of a minimum service period.

The related cost is determined on an actuarial basis and recognized in the income statement over employees' remaining service lives.

### (c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee volunteers to leave in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan from which it cannot withdraw, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

## R) SEGMENT INFORMATION

The Group is organized by country for management purposes combined by geographical segments for internal reporting purposes. Each geographical segment is determined according to the regions of origin of invoicing which are France, Italy, Rest of Europe, United States and Canada, and Rest of the World.

## S) BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit attributable to equity holders of Legrand by the average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing net profit attributable to equity holders of Legrand by the average number of ordinary shares outstanding plus the number of dilutive potential ordinary shares.

The average number of ordinary shares outstanding used in these calculations has been adjusted for the share buybacks carried out during the period.

## T) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

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Other borrowing costs are recognized as an expense for the period in which they were incurred.

### U) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that are reflected in the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events; these are believed to be reasonable under the circumstances.

#### (a) Impairment of goodwill and intangible assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually in accordance with the accounting policy described in notes 1 f) and 1 g). Intangible assets with finite useful lives are amortized over their estimated useful lives and are tested for impairment when there is any indication that their recoverable amount may be less than their carrying amount.

Judgments regarding the existence of indications of impairment are based on legal factors, market conditions and operational performance of the acquired businesses. Future events could cause the Group to conclude that an indication of impairment exists and that goodwill or other identifiable intangible assets associated with the acquired businesses are impaired. Any resulting impairment loss could have a material adverse effect on the consolidated financial condition and results of operations of the Group.

Recognition of goodwill and other intangible assets involves a number of critical management judgments, including:

- determining which intangible assets, if any, have indefinite useful lives and, accordingly, should not be amortized;
- identifying events or changes in circumstances that may indicate that an impairment has occurred;
- allocating goodwill to cash-generating units;
- determining the recoverable amount of cash-generating units for the purposes of annual impairment tests of goodwill;
- estimating the future discounted cash flows to be used for the purposes of periodic impairment tests of intangible assets with indefinite useful lives; and

- determining the recoverable amount of intangible assets with indefinite useful lives for annual impairment testing purposes.

The recoverable amount of an asset is based either on the asset's quoted market price in an active market, if available, or, in the absence of an active market, on discounted future cash flows from operations less investments. The determination of recoverable amount requires the use of certain assumptions and estimates that may be affected by changes in the Group's economic environment. Other estimates using different, but still reasonable, assumptions could produce different results.

As of December 31, 2008, the Group applied the impairment test required under IAS 36 for all non-amortizable intangible assets using the assumptions and parameters described in note 3.

#### (b) Accounting for income taxes

As part of the process of preparing the consolidated financial statements, the Group is required to estimate income taxes in each of the jurisdictions in which it operates. This involves estimating the actual current tax exposure and assessing temporary differences resulting from differing treatment of items such as deferred revenue or prepaid expenses for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are reported in the consolidated balance sheet.

The Group must then assess the probability that deferred tax assets will be recovered from future taxable profit. Deferred tax assets are recognized only when it is probable that taxable profit will be available against which the underlying deductible temporary difference can be utilized.

The Group has not recognized all of its deferred tax assets because it is not probable that some of them will be recovered before they expire. The amounts involved mainly concern operating losses carried forward and foreign income tax credits. The assessment is based on estimates of future taxable profit by jurisdiction in which the Group operates and the period over which the deferred tax assets are recoverable. If actual results differ from these estimates or the estimates are adjusted in future periods, the Group may need to record a valuation allowance against deferred tax assets carried in the balance sheet.

#### (c) Other assets and liabilities based on estimates

Other assets and liabilities based on estimates include provisions for pensions and other post-employment benefits, impairment of trade receivables, inventories and financial assets, stock options, provisions for product liabilities and capitalized development costs.

### V) NEW IFRS PRONOUNCEMENTS

As of the date of closing of the consolidated financial statements, the following standards and interpretations published by the IASB were not yet compulsory applicable:

**(a) Standards and interpretations adopted by the European Union whose application was optional on January 1, 2008:**

***IFRS 8 – Operating Segments***

In November 2006, the IASB published the standard IFRS 8 – Operating Segments. This standard, which replaces IAS 14, aligns segment reporting requirements with US standard SFAS 131. Under IFRS 8, operating segments are determined based on the enterprise's internal management reporting structure, whereas under IAS 14, a business segment is defined as a distinguishable component of an entity that is subject to risks and returns that are different from those of other business segments.

Adoption of IFRS 8 is compulsory in the first annual period commencing on or after January 1, 2009. It has been early adopted by the Group for the annual period commencing on January 1, 2008.

***IAS 23 – Borrowing Costs (revised)***

In March 2007, the IASB published a revised version of IAS 23 – Borrowing Costs. Under the revised standard, which is aligned with US standard SFAS 34, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset must be treated as forming part of the cost of that asset. The former alternative treatment, consisting of recognizing these costs as an expense, is no longer allowed.

Adoption of IAS 23 (revised) is compulsory in the first annual period commencing on or after January 1, 2009. It was early adopted by the Group to the extent that borrowing costs were already included in the cost of qualified assets.

***Amendment to IFRS 2 – Share-Based Payment***

In January 2008, the IASB published an amendment to IFRS 2 – Share-Based Payment: Vesting Conditions and Cancellations. The purpose of the amendment is to clarify the terms "vesting conditions," which correspond solely to service conditions and performance conditions, and "cancellations," which should all receive the same accounting treatment.

Adoption of this amendment to IFRS 2 is compulsory in the first annual period commencing on or after January 1, 2009. Earlier application is permitted.

**(b) Standards and interpretations published by the IASB and the IFRIC but not adopted by the European Union:**

***IAS 1 (revised) – Presentation of Financial Statements***

In September 2007, the IASB published a revised version of IAS 1 – Presentation of Financial Statements. Under the revised standard, the statement of changes in equity is used solely to report transactions with equity holders and the other items previously reported in this statement are now disclosed in the statement of comprehensive income.

Adoption of IAS 1 (revised) is compulsory in the first annual period commencing on or after January 1, 2009. Earlier application is not permitted pending adoption by the European Union.

***IFRS 3 (revised) – Business Combinations and IAS 27 (revised) – Consolidated and Separate Financial Statements***

In January 2008, the IASB published a new standard on business combinations and a revised standard on consolidated financial statements, dealing mainly with the accounting treatment of changes in the scope of consolidation.

The revised standards focus on changes in control as a significant economic event and place greater emphasis on the use of fair value.

Adoption of IFRS 3 (revised) and IAS 27 (revised) is compulsory in the first annual period commencing on or after July 1, 2009. Earlier application is not permitted pending adoption by the European Union.

***Amendment to IAS 32 – Puttable Financial Instruments and Obligations Arising on Liquidation***

In February 2008, the IASB published an amendment to IAS 32 – Financial Instruments: Presentation, dealing with puttable instruments and obligations arising on liquidation. The purpose of the amendment is to permit the classification in equity of instruments that are equivalent to ordinary shares except for the put option.

Adoption of this amendment to IAS 32 is compulsory in the first annual period commencing on or after January 1, 2009. Earlier application is not permitted pending adoption by the European Union.

The Group is currently reviewing all of these revised and amended standards to assess the changes that may be necessary to its disclosures.

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## ■ NOTE 2 - INTANGIBLE ASSETS (NOTE 1 (F))

Intangible assets are as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Trademarks with indefinite useful lives	1,418.6	1,511.0	1,523.1
Trademarks with finite useful lives	161.1	54.3	49.7
Developed technology	57.4	102.7	161.4
Other intangible assets	135.6	116.3	105.8
	<b>1,772.7</b>	<b>1,784.3</b>	<b>1,840.0</b>

Following a review of the useful lives, a trademark classified as having an indefinite useful life was reclassified as a trademark with a finite useful life (see note 1 f)).

Trademarks can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
At the beginning of the period	1,590.4	1,593.0	1,567.1
■ Acquisitions	23.7	12.2	41.8
■ Disposals	0.0	0.0	0.0
■ Translation adjustments	3.1	(14.8)	(15.9)
	<b>1,617.2</b>	<b>1,590.4</b>	<b>1,593.0</b>
Less accumulated amortization	(37.5)	(25.1)	(20.2)
<b>At the end of the period</b>	<b>1,579.7</b>	<b>1,565.3</b>	<b>1,572.8</b>

Developed technology can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
At the beginning of the period	570.3	576.0	582.2
■ Acquisitions	0.0	0.0	0.0
■ Disposals	0.0	0.0	0.0
■ Translation adjustments	2.3	(5.7)	(6.2)
	<b>572.6</b>	<b>570.3</b>	<b>576.0</b>
Less accumulated amortization	(515.2)	(467.6)	(414.6)
<b>At the end of the period</b>	<b>57.4</b>	<b>102.7</b>	<b>161.4</b>

Amortization expense related to intangible assets, including capitalized development costs, amounted to €81.0 million in 2008 (€84.4 million in 2007; €101.4 million in 2006). Amortization of trademarks and developed technology in 2008 breaks down as follows:

<i>(in € millions)</i>	Developed technology	Trademarks	Total
France	24.7	1.9	26.6
Italy	12.3	0.0	12.3
Rest of Europe	3.3	1.2	4.5
USA/Canada	3.9	6.8	10.7
Rest of the World	1.4	1.9	3.3
	<b>45.6</b>	<b>11.8</b>	<b>57.4</b>



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Amortization expense for developed technology and trademarks for each of the next five years is expected to be as follows:

<i>(in € millions)</i>	Developed technology	Trademarks	Total
2009	28.8	12.3	41.1
2010	17.3	11.9	29.2
2011	11.5	11.4	22.9
2012	0.0	8.8	8.8
2013	0.0	8.8	8.8

Other intangible assets can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Capitalized development costs	90.9	70.5	56.9
Software	14.4	15.9	14.0
Other	30.3	29.9	34.9
	<b>135.6</b>	<b>116.3</b>	<b>105.8</b>

### ■ NOTE 3 - GOODWILL (NOTE 1 (G))

Goodwill can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
France	600.3	606.5	589.1
Italy	307.6	307.6	307.6
Rest of Europe	213.1	213.3	137.7
USA/Canada	307.6	285.1	311.2
Rest of the World	425.7	403.4	287.6
	<b>1,854.3</b>	<b>1,815.9</b>	<b>1,633.2</b>

The geographic allocation of goodwill is based on the acquired company's value, determined as of the date of the business combination, taking into account synergies with other Group companies.

In the "Rest of Europe" and "Rest of the World" regions, no final amount of goodwill allocated to a CGU (cash-generating unit) represents more than 10% of total goodwill.

Changes in goodwill can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
At the beginning of the period	1,815.9	1,633.2	1,780.0
■ Acquisitions	117.1	197.2	58.1
■ Adjustments	(30.0)	22.2	(156.3)
■ Translation adjustments	(48.7)	(36.7)	(48.6)
<b>At the end of the period</b>	<b>1,854.3</b>	<b>1,815.9</b>	<b>1,633.2</b>

Adjustments to goodwill in 2006 include the reversal of a deferred tax liability that was recognized through goodwill in the balance sheet of an Italian subsidiary at the time of the Legrand acquisition in 2002.



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For impairment testing purposes, goodwill has been allocated to various country units (cash-generating units), which represent the lowest level at which goodwill is monitored.

These CGU are tested for impairment annually, and whenever events or changes in circumstances indicate that their value may be impaired, by comparing their carrying amount, including goodwill, to their value in use.

Value in use corresponds to the present value of the future cash flows expected to be derived from the subsidiaries included in the cash-generating unit.

In 2006, value in use was discounted using after-tax discount rates applied to after-tax future cash flows. In 2008 and 2007, pre-tax discount rates were used applied to pre-tax future cash flows, as required by IAS 36. Both methods produce equivalent value in use.

The following impairment testing parameters were used in the period ended December 31, 2008:

	Recoverable amount	Carrying amount of goodwill	Carrying amount of trademarks with an indefinite useful life	Value in use	
				Discount rate (before tax)	Growth rate to perpetuity
France		600.3	849.3	12.9%	2.5%
Italy		307.6	414.3	12.3%	2.5%
Rest of Europe	Value in use	213.1	137.3	12 to 16%	2.5 to 5%
USA/Canada		307.6	10.6	12.5%	2.5 to 5%
Rest of the World		425.7	7.1	12 to 23%	2.5 to 5%
		<b>1,854.3</b>	<b>1,418.6</b>		

No goodwill impairment losses were identified in the period ended December 31, 2008.

Sensitivity tests were performed on the discount rates and long-term growth rates used for impairment testing purposes for goodwill with a unit value above €10 million, which represents

98% of goodwill allocated on final fair values. Based on the results of these tests, a 50-basis point increase in the discount rates or a 50-basis point decrease in the long-term growth rates would not lead to any impairment losses being recognized.

The following impairment testing parameters were used in the period ended December 31, 2007:

	Recoverable amount	Carrying amount of goodwill	Carrying amount of trademarks with an indefinite useful life	Value in use	
				Discount rate (before tax)	Growth rate to perpetuity
France		606.5	849.3	12.5%	2%
Italy		307.6	414.3	13%	2%
Rest of Europe	Value in use	213.3	137.3	10 to 12.5%	2 to 5%
USA/Canada		285.1	103.0	13%	2 to 5%
Rest of the World		403.4	7.1	12.5 to 19%	2 to 5%
		<b>1,815.9</b>	<b>1,511.0</b>		

No goodwill impairment losses were identified in the period ended December 31, 2007.

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The following impairment testing parameters were used in the period ended December 31, 2006:

	Recoverable amount	Carrying amount of goodwill	Carrying amount of trademarks with an indefinite useful life	Value in use	
				Discount rate (after tax)	Growth rate to perpetuity
France		589.1	849.3	9%	2 to 3%
Italy		307.6	414.3	9%	2 to 3%
Rest of Europe	Value in use	137.7	137.3	9 to 11%	2 to 3%
USA/Canada		311.2	115.1	10%	2 to 3%
Rest of the World		287.6	7.1	9 to 14%	3 to 5%
		<b>1,633.2</b>	<b>1,523.1</b>		

No goodwill impairment losses were identified in the period ended December 31, 2006.

Acquisitions of subsidiaries (net of cash acquired) came to €123.6 million in 2008 (€265.1 million in 2007; €85.9 million in 2006).

The cost of business combinations carried out in the last three years was allocated as follows:

<i>(in € millions)</i>	12 months ended		
	December 31, 2008	December 31, 2007	December 31, 2006
■ Trademarks	23.7	12.2	41.8
■ Deferred taxes on trademarks	(6.4)	(3.9)	(14.2)
■ Other intangible assets	-	-	22.5
■ Deferred taxes on other intangible assets	-	-	(7.4)
■ Goodwill	117.1	197.2	58.1

For business combinations carried out in the last 12 months, the fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed are determined on a provisional

basis as of December 31 of the acquisition year and goodwill recognized as of that date is therefore subject to adjustment the following year based on the final fair values.

## ■ NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (NOTE 1 (H))

### A) PROPERTY, PLANT AND EQUIPMENT BY GEOGRAPHIC AREA

Property, plant and equipment, including finance leases, were as follows as of December 31, 2008:

<i>(in € millions)</i>	December 31, 2008					Total
	France	Italy	Rest of Europe	USA/Canada	Rest of the World	
Land	24.2	5.5	14.2	2.2	6.1	52.2
Buildings	119.0	89.8	41.0	17.9	20.3	288.0
Machinery and equipment	116.2	82.0	32.7	15.9	45.0	291.8
Assets under construction and other	22.7	13.5	15.7	20.2	18.1	90.2
	<b>282.1</b>	<b>190.8</b>	<b>103.6</b>	<b>56.2</b>	<b>89.5</b>	<b>722.2</b>

Total property, plant and equipment includes €31.4 million corresponding to assets held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment, including finance leases, were as follows as of December 31, 2007:

<i>(in € millions)</i>	December 31, 2007					Total
	France	Italy	Rest of Europe	USA/Canada	Rest of the World	
Land	24.0	5.5	14.9	2.4	9.6	56.4
Buildings	124.2	83.6	43.0	20.0	18.7	289.5
Machinery and equipment	127.7	84.1	32.5	20.3	43.0	307.6
Assets under construction and other	35.0	22.8	12.5	20.0	12.9	103.2
	<b>310.9</b>	<b>196.0</b>	<b>102.9</b>	<b>62.7</b>	<b>84.2</b>	<b>756.7</b>

Property, plant and equipment, including finance leases, were as follows as of December 31, 2006:

<i>(in € millions)</i>	December 31, 2006					Total
	France	Italy	Rest of Europe	USA/Canada	Rest of the World	
Land	24.1	5.5	17.5	2.7	20.9	70.7
Buildings	131.5	86.1	44.0	21.0	26.2	308.8
Machinery and equipment	135.0	80.2	36.2	26.3	42.0	319.7
Assets under construction and other	33.7	8.3	13.5	21.8	12.7	90.0
	<b>324.3</b>	<b>180.1</b>	<b>111.2</b>	<b>71.8</b>	<b>101.8</b>	<b>789.2</b>

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### B) ANALYSIS OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment in 2008 can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2008					
	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
Acquisitions	34.2	32.3	16.2	10.7	25.9	119.3
Disposals	(1.9)	(7.2)	(1.3)	(3.3)	(2.2)	(15.9)
Depreciation expense	(54.5)	(30.1)	(17.6)	(16.4)	(17.5)	(136.1)
Transfers and changes in scope of consolidation	(6.5)	(0.3)	12.5	0.2	8.9	14.8
Translation adjustments	0.0	0.0	(9.0)	2.2	(9.8)	(16.6)
	<b>(28.7)</b>	<b>(5.3)</b>	<b>0.8</b>	<b>(6.6)</b>	<b>5.3</b>	<b>(34.5)</b>

<i>(in € millions)</i>	December 31, 2008						
	Acquisitions	Transfers from "Assets under construction"	Disposals	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustments	Total
Land	0.0	1.2	(1.2)	(0.6)	(2.5)	(1.1)	(4.2)
Buildings	23.4	14.4	(10.1)	(29.6)	4.8	(4.4)	(1.5)
Machinery and equipment	46.8	24.9	(3.5)	(90.2)	14.5	(8.3)	(15.8)
Assets under construction and other	49.1	(40.5)	(1.1)	(15.7)	(2.0)	(2.8)	(13.0)
	<b>119.3</b>	<b>0.0</b>	<b>(15.9)</b>	<b>(136.1)</b>	<b>14.8</b>	<b>(16.6)</b>	<b>(34.5)</b>

Changes in property, plant and equipment in 2007 can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2007					
	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
Acquisitions	46.0	43.4	14.4	12.9	18.8	135.5
Disposals	(2.8)	(0.2)	(0.5)	(0.9)	(21.8)	(26.2)
Depreciation expense	(54.7)	(27.0)	(18.3)	(14.6)	(16.9)	(131.5)
Transfers and changes in scope of consolidation	(1.9)	(0.3)	(2.2)	0.8	4.3	0.7
Translation adjustments	0.0	0.0	(1.7)	(7.3)	(2.0)	(11.0)
	<b>(13.4)</b>	<b>15.9</b>	<b>(8.3)</b>	<b>(9.1)</b>	<b>(17.6)</b>	<b>(32.5)</b>

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December 31, 2007							
<i>(in € millions)</i>	Acquisitions	Transfers from "Assets under construction"	Disposals	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustments	Total
Land	0.0	0.5	(10.9)	(0.5)	(2.2)	(1.2)	(14.3)
Buildings	7.4	7.9	(10.0)	(22.0)	1.0	(3.6)	(19.3)
Machinery and equipment	53.9	34.7	(4.4)	(93.3)	0.3	(3.3)	(12.1)
Assets under construction and other	74.2	(43.1)	(0.9)	(15.7)	1.6	(2.9)	13.2
	<b>135.5</b>	<b>0.0</b>	<b>(26.2)</b>	<b>(131.5)</b>	<b>0.7</b>	<b>(11.0)</b>	<b>(32.5)</b>

Changes in property, plant and equipment in 2006 can be analyzed as follows:

December 31, 2006						
<i>(in € millions)</i>	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
Acquisitions	48.6	22.8	15.3	14.3	17.7	118.7
Disposals	(4.2)	(0.3)	(24.8)	(1.0)	(1.3)	(31.6)
Depreciation expense	(57.8)	(27.7)	(19.2)	(20.3)	(17.0)	(142.0)
Transfers and changes in scope of consolidation	7.0	0.0	1.4	0.5	17.2	26.1
Translation adjustments	0.0	0.0	0.2	(8.9)	(6.9)	(15.6)
	<b>(6.4)</b>	<b>(5.2)</b>	<b>(27.1)</b>	<b>(15.4)</b>	<b>9.7</b>	<b>(44.4)</b>

December 31, 2006							
<i>(in € millions)</i>	Acquisitions	Transfers from "Assets under construction"	Disposals	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustments	Total
Land	0.1	0.0	(2.6)	(1.1)	3.7	(1.3)	(1.2)
Buildings	4.5	12.5	(17.8)	(28.6)	4.6	(4.5)	(29.3)
Machinery and equipment	45.0	43.4	(9.9)	(95.1)	16.5	(5.7)	(5.8)
Assets under construction and other	69.1	(55.9)	(1.3)	(17.2)	1.3	(4.1)	(8.1)
	<b>118.7</b>	<b>0.0</b>	<b>(31.6)</b>	<b>(142.0)</b>	<b>26.1</b>	<b>(15.6)</b>	<b>(44.4)</b>

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**C) PROPERTY, PLANT AND EQUIPMENT INCLUDE THE FOLLOWING ASSETS HELD UNDER FINANCE LEASES:**

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Land	3.8	3.8	3.8
Buildings	37.4	27.3	35.9
Machinery and equipment	32.4	36.2	38.7
	<b>73.6</b>	<b>67.3</b>	<b>78.4</b>
Less accumulated depreciation	(37.7)	(40.3)	(44.3)
	<b>35.9</b>	<b>27.0</b>	<b>34.1</b>

**D) FINANCE LEASE LIABILITIES ARE PRESENTED IN THE BALANCE SHEETS AS FOLLOWS:**

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Long-term borrowings	21.5	19.2	9.3
Short-term borrowings	2.5	4.5	6.9
	<b>24.0</b>	<b>23.7</b>	<b>16.2</b>

**E) FUTURE MINIMUM LEASE PAYMENTS UNDER FINANCE LEASES ARE AS FOLLOWS:**

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Due in less than one year	3.4	5.6	6.6
Due in one to two years	3.2	3.0	4.5
Due in two to three years	3.1	2.6	1.7
Due in three to four years	3.1	2.5	1.5
Due in four to five years	2.4	2.3	1.3
Due beyond five years	18.6	9.1	1.8
	<b>33.8</b>	<b>25.1</b>	<b>17.4</b>
Of which accrued interest	(9.8)	(1.4)	(1.2)
<b>Present value of future minimum lease payments</b>	<b>24.0</b>	<b>23.7</b>	<b>16.2</b>

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## ■ NOTE 5 - INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Investments in associates (accounted for by the equity method)	0.0	14.0	10.5

The decrease in investments in associates as of December 31, 2008 was due to the full consolidation of Alborz Electrical Industries Ltd which was previously accounted for by the equity method.

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Other investments	13.1	8.3	5.0

## ■ NOTE 6 - INVENTORIES (NOTE 1 (I))

Inventories are as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Purchased raw materials and components	222.1	222.5	199.3
Sub-assemblies, work in progress	104.7	110.2	110.5
Finished products	364.5	369.4	322.5
	<b>691.3</b>	<b>702.1</b>	<b>632.3</b>
Less impairment	(88.4)	(77.7)	(72.2)
	<b>602.9</b>	<b>624.4</b>	<b>560.1</b>

## ■ NOTE 7 - TRADE RECEIVABLES (NOTE 1 (E))

The Group derives over 95% of its revenue from sales to distributors of electrical equipment. The two largest distributors account for approximately 28% of consolidated net revenue and

no other distributor accounts for more than 5% of consolidated net revenue.

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Trade accounts receivable	569.8	568.5	559.7
Notes receivable	82.9	104.5	90.4
	<b>652.7</b>	<b>673.0</b>	<b>650.1</b>
Less impairment	(31.0)	(26.8)	(29.3)
	<b>621.7</b>	<b>646.2</b>	<b>620.8</b>



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Past-due trade receivables can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Less than 3 months past due	82.8	70.8	57.3
From 3 to 12 months past due	18.6	13.9	21.6
More than 12 months past due	12.2	16.6	19.7
	<b>113.6</b>	<b>101.3</b>	<b>98.6</b>

Provisions for impairment of past-due trade receivables amounted to €27.9 million as of December 31, 2008 (€24.6 million as of December 31, 2007; €27.1 million as of December 31, 2006). These provisions break down as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Provisions for receivables less than 3 months past due	7.1	2.5	2.9
Provisions for receivables 3 to 12 months past due	8.6	7.4	7.7
Provisions for receivables more than 12 months past due	12.2	14.7	16.5
	<b>27.9</b>	<b>24.6</b>	<b>27.1</b>

### ■ NOTE 8 - OTHER CURRENT ASSETS

Other current assets are as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Employee advances	3.1	3.7	4.1
Other receivables	41.6	47.8	33.0
Prepayments	18.9	18.5	18.1
Prepaid and recoverable taxes other than on income	76.2	75.5	77.0
	<b>139.8</b>	<b>145.5</b>	<b>132.2</b>

These assets are valued at historical cost and there are no events or special circumstances indicating that they may be impaired.

### ■ NOTE 9 - MARKETABLE SECURITIES

As of December 31, 2008, the Group held French Treasury bonds maturing in the first quarter of 2009 for a total fair value of €304.9 million.



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### ■ NOTE 10 - SHARE CAPITAL AND EARNINGS PER SHARE (NOTE 1 (S))

Share capital as of December 31, 2008 amounted to €1,051,260,512 represented by 262,815,128 ordinary shares with a par value of €4 each, for 422,978,591 voting rights.

Changes in share capital in December 31, 2008 were as follows:

	Number of shares	Par value	Share capital (in €)	Premiums (in €)
As of December 31, 2006	269,693,376	4	1,078,773,504	1,257,726,503
Exercise of options under the 2003 plan	1,282,363	4	5,129,452	
As of December 31, 2007	270,975,739	4	1,083,902,956	1,257,726,503
Exercise of options under the 2004 plan	338,781	4	1,355,124	
Cancellation of shares	(9,138,395)	4	(36,553,580)	(188,280,771)
Exercise of options under the 2003 plan	639,003	4	2,556,012	
As of December 31, 2008	262,815,128	4	1,051,260,512	1,069,445,732

Shares capital consists exclusively of ordinary shares. On February 24, 2006, the par value of the shares was increased to €4.

On March 5, 2008, the Board of Directors approved cancellation of 9,138,395 shares acquired under the share buyback program (of which 8,989,411 shares held as of December 31, 2007 and 148,984 shares bought back between January 1 and March 5, 2008). The €188,280,771 difference between the buy-back price of the cancelled shares and their par value was deducted from the premium account.

Since February 24, 2006, fully paid-up shares registered in the name of the same shareholder for at least two years carry double voting rights.

In 2008, 977,784 shares were issued upon exercise of stock options granted under the 2004 and 2003 plan (note 11), resulting in a €3.9 million capital increase.

#### A) SHARE BUYBACK PROGRAM AND TRANSACTIONS UNDER THE LIQUIDITY CONTRACT

A description of the current €650.0 million share buyback program was published by the Group on May 23, 2008.

#### Share buyback program

As of December 31, 2008, the Group held 4,884,873 shares under the program, acquired at a total cost of €109,926,422. These shares are being held for the following purposes:

- for allocation upon exercise of stock options (4,804,873 shares purchased at a cost of €107,932,822);
- for allocation to employees who choose to re-invest their profit-shares in Legrand stock through a corporate mutual fund (80,000 shares purchased at a cost of €1,993,600).

During 2008, a total of 2,754,403 shares of Legrand stock were purchased at a cost of €56,450,008.

#### Liquidity contract

On May 29, 2007, the Group appointed a financial institution to maintain a liquid market for its ordinary shares on the Euronext™ Paris market under a liquidity contract complying with the AFEI (French Association of Investment Firms) Code of Conduct approved by the AMF on March 22, 2005.

As of December 31, 2008, €45.0 million had been allocated to the liquidity account, which at that date held 1,861,000 Legrand shares purchased at an average cost of €26,057,773.

During 2008, a net 1,744,577 shares of Legrand stock were purchased at a cost, net of disposal proceeds, of €29,073,134.

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### B) EARNINGS PER SHARE

Basic and diluted earnings per share, calculated on the basis of the average number of ordinary shares outstanding during the period, are as follows:

	December 31, 2008	December 31, 2007	December 31, 2006
Profit attributable to equity holders of Legrand <i>(in € millions)</i>	349.9	421.0	252.0
Number of ordinary shares outstanding: - At the period-end	262,815,128	270,975,739	269,693,376
- Average for the period	256,389,092	265,729,265	247,218,622
Number of stock options and free shares at the period end	5,083,315	3,459,034	2,606,529
Share buybacks and transactions under the liquidity contract (net during the period)	(4,498,980)	(11,385,834)	-
Basic earnings per share (€) (note 1 (s))	1.365	1.584	1.019
Diluted earnings per share (€) (note 1 (s))*	1.357	1.573	1.009
Dividend per share (€)	0,700	0.500	0.410

\* Options granted under the 2008 Plan (1,994,800 options) and the 2007 Plan (1,583,095 options) have not been taken into account in the calculation of diluted earnings per share as the options were out of the money as of December 31, 2008.

In accordance with IAS 33, the 79,855,651 shares issued in conjunction with the IPO during the second quarter of 2006 were taken into account on a pro rata basis for the purpose of computing the average number of ordinary shares outstanding during the period. If those shares had been issued on January 1, 2006, basic earnings per share and diluted earnings per share would have amounted to €0.934 and €0.925 respectively.

In 2007, the 1,282,363 shares issued upon exercise of stock options granted under the 2003 plan, and the net 11,385,834 shares bought back during the period were taken into account on a pro rata basis for the purpose of computing the average number of ordinary shares outstanding during the period, in accordance with IAS 33. If those shares had been issued, bought back on January 1,

2007, basic earnings per share and diluted earnings per share would have amounted to €1.622 and €1.610 respectively.

Also in accordance with IAS 33, the 977,784 shares issued in 2008 upon exercise of stock options granted under the 2003 and 2004 plans, the net 4,498,980 shares bought back during the period and the 9,138,395 shares cancelled during the period were all taken into account on a pro rata basis for the purpose of calculating the average number of ordinary shares outstanding during the period. If those shares had been issued, bought back or cancelled on January 1, 2008, basic earnings per share and diluted earnings per share would have amounted to €1.366 and €1.358 respectively.

## ■ NOTE 11 - STOCK OPTION PLANS, FREE SHARES PLANS AND EMPLOYEE PROFIT-SHARING

### A) LEGRAND STOCK OPTION PLANS 2003, 2004 AND 2005

The Company has set up a stock option plan under which options may be granted to purchase a specified number of ordinary shares of the Company at an initial exercise price of €1.00 per share for options granted in 2003 and 2004, and €1.40 per share for options granted in 2005. At the General Meeting of February 24, 2006, shareholders decided to carry out a 1-for-4 reverse stock-split, leading to an increase in the shares' par value from €1.00 to €4.00. To take into account the effects of this change, the option exercise price was increased to €4.00 for options granted in 2003 and 2004 and to €5.60 for those granted in 2005.

In 2008:

- 338,781 options granted under the 2004 plan were exercised. The outstanding options may be exercised over the coming years during the exercise periods set in the initial plans;
- 639,003 options granted under the 2003 plan were exercised. This plan expired on August 5, 2008 and is therefore discharged.

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Information on stock options	2003 Plan	2004 Plan	2005 Plan	Total
Date of Board of Directors Meeting	June 6, 2003	January 30, 2004	February 7, 2005	
Total number of shares that may be acquired on exercise of options	1,924,530	508,250	173,750	2,606,530
<i>Of which number of shares that may be acquired by corporate officers</i>	0	0	0	0
Vesting/exercise conditions	<ul style="list-style-type: none"> <li>■ 2/3 of the options vest 4 years after the grant date and must be exercised within 60 days of vesting;</li> <li>■ 1/3 of the options vest 5 years after the grant date and must be exercised within 60 days of vesting</li> </ul>			
Starting date of the exercise period for the first 2/3 of the options	June 6, 2007	January 30, 2008	February 7, 2009	
Starting date of the exercise period for the remaining 1/3 of the options	June 6, 2008	January 30, 2009	February 7, 2010	
Exercise price	€4.00	€4.00	€5.60	
Options exercised during 2007	(1,282,363)	0	0	(1,282,363)
Options forfeited during 2007	(496)			(496)
Options exercised during 2008	(639,003)	(338,781)		(977,784)
Options forfeited during 2008	(2,668)	(1,667)		(4,335)
<b>Options outstanding as of December 31, 2008</b>	<b>0</b>	<b>167,802</b>	<b>173,750</b>	<b>341,552</b>

As of December 31, 2008, 283,635 options will become exercisable in 2009 and 57,917 in 2010.

If all these options were to be exercised, the Company's capital would be diluted by 0.1% (this maximum dilution does not take into account the exercise price of these options).

## B) LEGRAND 2008 FREE SHARES AND STOCK OPTION PLANS

### Free shares plans

On May 15, 2007, shareholders authorized the Board of Directors to grant free shares to certain employees or corporate officers of the Company and its subsidiaries, on one or several occasions. The total number of shares is capped at 5% of the capital including the shares to be issued on exercise of stock options.

Information on the free shares plans	2007 Plan	2008 Plan	Total
Date of Board of Directors Meeting	May 15, 2007	March 5, 2008	
Total number of shares granted	533,494	654,058	1,187,552
<i>Of which to corporate officers</i>	26,427	47,077	73,504
<ul style="list-style-type: none"> <li>■ Gilles Schnepf</li> <li>■ Olivier Bazil</li> </ul>	13,582 12,845	24,194 22,883	37,776 35,728
Vesting conditions	After a maximum of 4 years, except in the event of resignation or termination for willful misconduct		
Free shares cancelled during 2007	(8,695)		(8,695)
Free shares vested during 2008	(546)		(546)
Free shares cancelled during 2008	(8,298)	(6,145)	(14,443)
<b>TOTAL NUMBER OF FREE SHARES OUTSTANDING AS OF DECEMBER 31, 2008</b>	<b>515,955</b>	<b>647,913</b>	<b>1,163,868</b>
<i>Of which free shares that became available during 2008</i>	341	400	741

If all these shares were to be definitively granted, the Company's capital would be diluted by 0.4%.

### Stock option plans

On May 15, 2007, shareholders authorized the Board of Directors to grant stock options to certain employees or corporate officers of the Company and its subsidiaries, on one or several occasions,

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entitling them to subscribe new shares or purchase existing shares representing no more than 5% of the capital including the shares to be issued on exercise of options.

Information on stock options	2007 Plan	2008 Plan	Total
Date of Board of Directors Meeting	May 15, 2007	March 5, 2008	
Total number of options	1,638,137	2,015,239	3,653,376
<i>Of which to Executive Directors</i>	79,281	141,231	220,512
■ Gilles Schnepf	40,745	72,583	113,328
■ Olivier Bazil	38,536	68,648	107,184
Vesting/exercise conditions	Options vest after a maximum of 4 years, except in the event of resignation or termination for willful misconduct		
Starting date of the option exercise period	May 16, 2011	March 6, 2012	
End of the option exercise period	May 15, 2017	March 5, 2018	
Option exercise price	€25.20	€20.58	
Options cancelled during 2007	(27,574)		(27,574)
Options cancelled during 2008	(27,468)	(20,439)	(47,907)
<b>OUTSTANDING OPTIONS AS OF DECEMBER 31, 2008</b>	<b>1,583,095</b>	<b>1,994,800</b>	<b>3,577,895</b>
<i>Of which options that became exercisable in 2008</i>	1,023	1,200	2,223

If all these options were to be exercised, the Company's capital would be diluted by 1.4% (this maximum dilution does not take into account the exercise price of these options).

### Valuation model applied to free share plans and stock option plans

The fair value of share-based payment instruments is measured at the grant date, using the Black & Scholes option-pricing model or the binomial model, based on the following assumptions:

Assumptions	2007 Plan	2008 Plan
Risk-free rate	4.35%	3.40%
Expected volatility	28.70%	30.00%
Expected return	1.98%	3.47%

In accordance with IFRS 2, which requires the cost of stock options to be recognized in the financial statements, a charge of €17.5 million was recorded in 2008 (€7.0 million at 2007) for all of these plans combined (notes 11 (a) and 11 (b)).

### C) LEGRAND FRANCE STOCK OPTION PLANS

On November 13, 2001, Legrand France established a stock subscription plan open to all Group employees in France who had completed the required period of service. The exercise price is based on the opening market prices quoted for the shares on the Paris stock exchange over the twenty trading days preceding the grant date. The options had a four-year vesting period and

are exercisable between the fourth and seventh anniversaries of the grant date.

The value and number of stock options were adjusted for the effects of the shareholder-approved distributions of retained earnings by Legrand France for €375.0 million in 2003 and for €675.0 million at the beginning of 2004.

At its meeting on November 2, 2005, the Board of Directors decided to offer a liquidity guarantee up to May 19, 2006 to holders of the 2001 stock options in the event that the Company was floated on the stock exchange. The liquidity guarantee came into effect in the second quarter of 2006.



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At its meeting on October 17, 2008, the Board of Directors decided to offer a new liquidity guarantee, beginning on October 20 and ending at the close of business on November 12, 2008, corresponding to the plan's expiry date.

Type of plan	Subscription
<b>Date of grant</b>	<b>2001</b>
<b>Type of shares under option</b>	<b>ordinary</b>
Number of grantees	9,122
Start date of exercise period	11-2005
Expiry date of exercise period	11-2008
Exercise price ( <i>in euros</i> ) before distribution of retained earnings	143.00
Exercise price ( <i>in euros</i> ) after distribution of retained earnings	104.68
<b>Number of options granted</b>	<b>178,766</b>
Options forfeited	
Balance as of December 31, 2002	178,766
New options issued on November 15, 2003 in connection with distribution of retained earnings	21,353
Options exercised	
Options forfeited	(372)
Balance as of December 31, 2003	199,747
New options issued on March 30, 2004 in connection with distribution of retained earnings	52,996
Options exercised	
Options forfeited	
Balance as of December 31, 2004	252,743
Options exercised	
Options forfeited	(95)
Balance as of December 31, 2005	252,648
Options exercised	(244,704)
Options forfeited	(465)
Balance as of December 31, 2006	7,479
Options exercised	(9)
Options forfeited	(36)
Balance as of December 31, 2007	7,434
Options exercised	(3,005)
Options forfeited	(4,429)
<b>BALANCE AS OF DECEMBER 31, 2008</b>	<b>0</b>

### D) EMPLOYEE PROFIT-SHARING

Under French law, the French entities in the Group are required to pay profit shares to employees when their after-tax profit exceeds a certain level. Amounts accrued are generally payable to employees after a period of five years.

Apart from this obligation, a number of the Group's French entities and foreign subsidiaries have set up discretionary profit-sharing plans. Under these plans, employees receive a portion of the entity's profit calculated on the basis of predetermined formulas negotiated by each entity.

An accrual of €32.7 million was recorded in 2008 for statutory and discretionary profit-sharing plans (2007: €32.5 million; 2006: €31.7 million).

## ■ NOTE 12 - RETAINED EARNINGS AND TRANSLATION RESERVES

### A) RETAINED EARNINGS

Consolidated retained earnings of Legrand and its subsidiaries as of December 31, 2008 amounted to €1,378.3 million.

As of the same date, the parent company – Legrand – had retained earnings of €1,750.5 million available for distribution.

### B) TRANSLATION RESERVES

As explained in note 1 (c), the translation reserve reflects the effects of currency fluctuations on the financial statements of subsidiaries when they are translated into euros.

The translation reserve records the impact of fluctuations in the following currencies:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
US dollar	(143.0)	(165.0)	(132.0)
Other currencies	(106.4)	(29.0)	(4.6)
	<b>(249.4)</b>	<b>(194.0)</b>	<b>(136.6)</b>

## ■ NOTE 13 - SUBORDINATED PERPETUAL NOTES (TSDI)

In December 1990 and March 1992, Legrand France issued, at par, subordinated perpetual notes for a total of €457.0 million and €305.0 million, respectively.

The two issues were fully amortized in February 2006 and March 2007 respectively.

Amortization of the residual carrying amount of the perpetual notes in the balance sheet is as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Due within one year	0.0	0,0	9.5
Due in one to two years	0.0	0,0	0.0
Due in two to three years	0.0	0,0	0.0
Due beyond three years	0.0	0,0	0.0
	<b>0.0</b>	<b>0,0</b>	<b>9.5</b>

The subordinated perpetual notes are subject to specific tax rules, the application of which was specified in the amended 2005 Finance Act voted by the French parliament in the fall of 2005.

Under these rules, the total amount of interest provided for in the loan debenture is deductible only up to the amount of interest paid in the first twelve years on the principal issued by the Group.

Application of these rules led to a €110.0 million reduction in the Group's tax loss carryforwards in 2005 and a further €62.5 million reduction in the first half of 2007. This has no impact on the income statement as no deferred tax assets were recognized for these tax loss carryforwards.

## ■ NOTE 14 - LONG-TERM BORROWINGS

Long-term borrowings can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Facility Agreement	1,265.8	642.8	668.7
8 ½% debentures	279.2	263.0	294.5
Bank borrowings	220.0	220.0	0.0
Other borrowings	258.0	242.6	97.1
	<b>2,023.0</b>	<b>1,368.4</b>	<b>1,060.3</b>
Debt issuance costs	(2.8)	(4.0)	(4.8)
	<b>2,020.2</b>	<b>1,364.4</b>	<b>1,055.5</b>

Long-term borrowings are denominated in the following currencies:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Euro	1,471.8	776.8	605.1
US dollar	423.1	505.5	418.0
Other currencies	128.1	86.1	37.2
	<b>2,023.0</b>	<b>1,368.4</b>	<b>1,060.3</b>

Long-term borrowings can be analyzed by maturity as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Due in one to two years	202.0	156.3	174.9
Due in two to three years	129.5	147.7	151.2
Due in three to four years	116.0	115.0	149.6
Due in four to five years	1,239.6	119.2	271.7
Due beyond five years	335.9	830.2	312.9
	<b>2,023.0</b>	<b>1,368.4</b>	<b>1,060.3</b>

Average interest rates (the rates shown for the 8½% debentures – “Yankee bonds” – take into account interest rate swaps up to expiring date of February, 2008) on borrowings are as follows:

	December 31, 2008	December 31, 2007	December 31, 2006
Facility agreement	4.69%	5.10%	3.86%
8½% debentures	8.25%	4.67%	4.68%
Bank borrowing	6.06%	4.99%	-
Other borrowings	5.58%	3.78%	3.15%



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These borrowings are secured as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Assets mortgaged or pledged as collateral	21.2	17.8	23.1
Guarantees given to banks	180.4	155.0	63.0
	<b>201.6</b>	<b>172.8</b>	<b>86.1</b>

### A) CREDIT FACILITY

#### 2004 Credit Facility

As of December 31, 2005, the Group owed €887.3 million on the €1.4 billion syndicated facility contracted in December 2004 ("the 2004 Credit Facility"). In January 2006, the 2004 Credit Facility was refinanced through a new €2.2 billion syndicated facility.

Upon repayment of the 2004 Credit Facility, the €10.5 million unamortized balance of related debt issuance costs was written off. This amount is reported under "Loss on extinguishment of debt" in the consolidated income statement.

#### 2006 Credit Facility

On January 10, 2006, the Group signed a new €2.2 billion credit facility – the 2006 Credit Facility – with five mandated arrangers. Its purpose was (i) to refinance the €1.4 billion 2004 Credit Facility in its entirety, (ii) to retire the €574.2 million High Yield Notes issue, plus accrued interest on the notes and the €98.5 million early-repayment premium (recognized under "Loss on extinguishment of debt"), and (iii) to repay the €177.9 million portion of the subordinated shareholder loan corresponding to the vendor financing granted by Schneider at the time of acquisition of Legrand France, as required under the terms of the loan debenture in the event that the High Yield Notes were retired.

The 2006 Credit Facility comprised (i) a €700.0 million Tranche A representing a multicurrency term loan repayable in semi-annual installments equal to 10% of the nominal amount between January 10, 2007 and July 10, 2010, with a final 20% installment due on January 10, 2011, (ii) a €1.2 billion Tranche B consisting of a revolving multicurrency facility utilizable through drawdowns and (iii) a €300.0 million Tranche C multicurrency facility repayable upon the Group's flotation on the stock market. Tranches A and B were originally five-year loans that could be rolled over for two successive one-year periods. Tranche C was a 364-day loan, which was repaid in full in April 2006 following the IPO.

In March 2007 and November 2007, the Group exercised its option to extend the 2006 Credit Facility for two successive one-year periods. Consequently, the repayments in semi-annual installments of Tranche A are equal to 6.22% of the original nominal amount from January 10, 2008 to July 10, 2011, 7.12% of the original nominal amount on January 10, 2012, 6.02% of the original nominal amount on July 10, 2012 and 19.32% on January 10, 2013.

Repayments due under the Facility Agreement can be analyzed as follows by maturity as of December 31, 2008, December 31, 2007 and December 31, 2006:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Due within one year (short-term borrowings)	87.1	87.2	138.8
Due in one to two years	87.1	85.3	137.6
Due in two to three years	87.1	87.0	137.6
Due in three to four years	92.0	87.1	138.3
Due in four to five years	999.6	92.0	255.2
Due beyond five years	0.0	291.4	0.0
	<b>1,352.9</b>	<b>730.0</b>	<b>807.5</b>

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The Facility Agreement can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2008	Maturity	Interest rate
Term Facility	488.5	2013	Euribor + 30 bps
Revolving Facility	864.4	2013	Euribor/Libor + 30 bps

<i>(in € millions)</i>	December 31, 2007	Maturity	Interest rate
Term Facility	573.8	2013	Euribor + 25 bps
Revolving Facility	156.2	2013	Euribor/Libor + 25 bps

<i>(in € millions)</i>	December 31, 2006	Maturity	Interest rate
Term Facility	687.6	2011	Euribor + 35 bps
Revolving Facility	119.9	2011	Euribor/Libor + 35 bps

The margin added to the Euribor/Libor is updated each semester depending on the value of the ratio net debt/maintainable EBITDA (net debt and maintainable EBITDA adjusted as defined in the loan agreements). The resulting interest rate is however contained between Euribor/Libor + 20 bps and Euribor/Libor + 50 bps.

### B) HIGH YIELD NOTES

In February 2003, the Company issued \$350.0 million worth of 10.5% Senior Notes due 2013 and €277.5 million worth of 11.0% Senior Notes due February 15, 2013 (the "High Yield Notes"). The Company redeemed all the High Yield Notes on February 15, 2006 for a total amount of €672.7 million, including an early-redemption premium of €98.5 million which is reported under "Loss on extinguishment of debt" in the income statement.

### C) 8½% DEBENTURES (YANKEE BONDS)

On February 14, 1995, Legrand France issued \$400.0 million worth of 8½% debentures due February 15, 2025, through a public placement in the United States. Interest on the debentures is payable semi-annually in arrears on February 15 and August 15 of each year, beginning August 15, 1995.

The debentures are not subject to any sinking fund and are not redeemable prior to maturity, except upon the occurrence of certain changes in the law requiring the payment of amounts in addition to the principal and interest. Should Legrand France be prevented by law from paying any such additional amounts, early redemption would generally be mandatory or, if such amounts

could be paid, Legrand France may, at its option, redeem all – but not part – of the debentures in advance. Each debenture holder may also require Legrand France to redeem its debentures in advance upon the occurrence of a hostile change of control.

In connection with the issuance of the debentures, Legrand France also entered into an interest rate swap agreement that expired in February 2008 (see note 23 b)).

### D) BANK BORROWING

On May 21, 2007, the Group obtained a €220.0 million loan from a pool of French banks. The loan is for a period of 6 years and 4 months, expiring September 21, 2013, and pays interest at the 3-month Euribor plus 45 bps.

### E) UNUSED CREDIT LINES

As of December 31, 2008, the Group had access to:

- drawdown capacity of €323.9 million on Tranche B (revolving facility) of the 2006 Credit Facility considering the swingline facility intended to cover borrowings under the Group's commercial paper program (representing €11.7 million as of December 31, 2008);
- two new facilities set up during the fourth quarter of 2008:
  - 125.0 million 2-year facility,
  - 50.0 million, 1-year facility with a possible extension of one more year.

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### ■ NOTE 15 - LONG-TERM PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Changes in long-term provisions and other non-current liabilities are as follows:

(in € millions)	December 31, 2008
At beginning of period	81.0
Changes in scope of consolidation	(1.4)
Increases	30.5
Reversals	(25.6)
Transfers to current liabilities	(2.4)
Reclassifications	(14.6)
Translation adjustments	(5.0)
At the end of period	<b>62.5</b>

As of December 31, 2008 long-term provisions and other non-current liabilities comprise in particular provisions for claims and litigation (€12.0 million) and provisions for taxes (€15.1 million).

### ■ NOTE 16 - PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS (NOTE 1 (Q))

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
Retirement benefits in France*	38.1	34.6	36.5
Termination benefits in Italy*	49.4	51.5	53.5
Other post-employment benefits*	56.6	39.0	57.6
	<b>144.1</b>	<b>125.1</b>	<b>147.6</b>

\* These items represent the non-current portion of pension and other post-retirement benefits for a total of €144.1 million as of December 31, 2008 (December 31, 2007: €125.1 million; December 31, 2006: €147.6 million). The current portion in the amount of €6.4 million as of December 31, 2008 (December 31, 2007: €7.4 million; December 31, 2006: €7.7 million) is reported under "Other Current liabilities". The total amount of those liabilities is therefore €150.5 million as of December 31, 2008 (December 31, 2007: €132.5 million; December 31, 2006: €155.3 million) and is analyzed in note 16 a), which shows total liabilities of €240.5 million as of December 31, 2008 (December 31, 2007: €263.9 million; December 31, 2006: €290.6 million) less total assets of €89.9 million as of December 31, 2008 (December 31, 2007: €131.4 million; December 31, 2006: €135.1 million), less unrecognized past service costs for €0.1 million.

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**A) ANALYSIS OF PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS**

The aggregate current and long-current obligation under the Group's pension and other post-employment benefit plans, consisting primarily of plans in France, Italy, the United States and the United Kingdom, is as follows:

<i>(in € millions)</i>	<b>December 31, 2008</b>	<b>December 31, 2007</b>	<b>December 31, 2006</b>	<b>December 31, 2005</b>	<b>December 31, 2004</b>
<b>Defined benefit obligation</b>					
Projected benefit obligation at beginning of period	263.9	290.6	282.8	249.7	237.0
Acquisitions	0.1	0.0	0.2	3.4	0.0
Goodwill allocation	0.0	0.0	0.0	0.0	0.0
Service cost	16.1	16.8	18.2	17.7	17.5
Interest cost	11.5	11.7	10.3	8.8	10.4
Benefits paid	(29.3)	(29.5)	(23.5)	(17.2)	(25.2)
Employee contributions	0.0	0.0	0.4	0.6	0.4
Plan amendments	0.0	0.0	0.0	0.0	0.3
Actuarial loss/(gain)	(7.5)	(11.0)	13.0	6.6	6.9
Curtailments, settlements, special termination benefits	0.2	(2.4)	(0.8)	0.0	1.7
Past service cost	0.0	(0.1)	0.2	0.0	0.0
Translation adjustments	(14.3)	(14.5)	(10.2)	13.2	(5.3)
Other	(0.2)	2.3	0.0	0.0	6.0
<b>PROJECTED BENEFIT OBLIGATION AT END OF PERIOD (I)</b>	<b>240.5</b>	<b>263.9</b>	<b>290.6</b>	<b>282.8</b>	<b>249.7</b>
<b>UNRECOGNIZED PAST SERVICE COST (II)</b>	<b>0.1</b>	<b>0.0</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>
<b>Fair value of plan assets</b>					
Fair value of plan assets at beginning of period	131.4	135.1	133.5	109.9	110.8
Acquisitions	0.0	0.0	0.0	0.5	0.0
Expected return on plan assets	8.2	9.1	10.2	13.5	7.8
Employer contributions	6.4	15.6	8.2	8.2	9.7
Employee contributions	0.5	0.3	0.3	0.3	0.4
Benefits paid	(13.3)	(16.3)	(13.9)	(11.3)	(15.4)
Actuarial (loss)/gain	(32.0)	(1.3)	0.7	0.0	0.0
Translation adjustments	(11.3)	(11.1)	(3.9)	12.4	(3.4)
<b>FAIR VALUE OF PLAN ASSETS AT END OF PERIOD (III)</b>	<b>89.9</b>	<b>131.4</b>	<b>135.1</b>	<b>133.5</b>	<b>109.9</b>
<b>LIABILITY RECOGNIZED IN THE BALANCE SHEET (I) - (II) - (III)</b>	<b>150.5</b>	<b>132.5</b>	<b>155.3</b>	<b>149.3</b>	<b>139.8</b>
Current liability	6.4	7.4	7.7	9.6	8.8
Non-current liability	144.1	125.1	147.6	139.7	131.0

Actuarial losses recognized in equity (total recognized income and expenses, net) as of December 31, 2008 amounted to €24.5 million (€15.2 million after tax).

Sensitivity tests were performed on the discount rates applied. According to the results of these tests, a 50-basis point decline in discount rates would lead to the recognition of additional actuarial losses of around €10.0 million and would increase in proportion the value of the defined obligation at December 31, 2008.

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The impact on operating profit is as follows:

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
Service cost – rights acquired during the period	(16.1)	(16.8)	(18.2)
Service cost – cancellation of previous rights	0.0	0.0	0.0
Benefits paid (net of cancellation of liability recognized in prior periods)	0.0	0.0	0.0
Interest cost	(11.5)	(11.7)	(10.3)
Other	(0.2)	2.5	0.2
Expected return on plan assets	8.2	9.1	10.2
	<b>(19.6)</b>	<b>(16.9)</b>	<b>(18.1)</b>

The weighted-average allocation of pension plan assets was as follows as of December 31, 2008:

(in percentage)	France	United States and United Kingdom	Weighted total
Equity instruments	0.0	55.5	48.5
Debt instruments	0.0	33.8	29.6
Insurance funds	100.0	10.7	21.9
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### B) PROVISIONS FOR RETIREMENT BENEFITS AND SUPPLEMENTARY PENSION BENEFITS IN FRANCE

The provisions recorded in the consolidated balance sheet concern the unvested entitlements of active employees. The Group has no obligation with respect to the vested entitlements of former employees, as the benefits were settled at the time of their retirement, either directly or through payments to insurance companies in full discharge of the liability.

In France, provisions recorded in the consolidated balance sheet amount to €50.4 million as of December 31, 2008 (December 31, 2007: €43.4 million; December 31, 2006: €43.5 million), corresponding to the difference between the projected benefit obligation of €61.4 million as of December 31, 2008 (December 31, 2007: €58.5 million; December 31, 2006: €64.0 million) and the fair value of the related plan assets of €10.9 million as of December 31, 2008 (December 31, 2007: €15.1 million; December 31, 2006: €20.3 million), less unrecognized past service costs for €0.1 million.

The projected benefit obligation is computed on the basis of staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. In France, the calculation was based on a salary increase rate of 2.5%, a discount rate of 5.6% (2007 and 2006: 3.0% and 5.2%, 4.5% and 3.0%, respectively) and an expected return on plan assets of 4.0% (2007 and 2006: 4.0% and 2.5%, respectively). The provisions recorded in the consolidated balance sheet correspond to the portion of the total obligation remaining payable by the Group; this amount is equal to the difference between the total obligation recalculated at each balance sheet date, based on the actuarial assumptions described above, and the net residual value of the plan assets at that date.

### C) PROVISIONS FOR TERMINATION BENEFITS IN ITALY

The changes introduced in the Italian Act no. 296 dated December 27, 2006 came into effect on January 1, 2007.

From this date, Italian termination benefit plans (*Trattamento di fine rapporto*, TFR) are qualified as defined contribution plans under IFRS.

Termination benefit obligations arising prior to January 1, 2007 continue to be accounted for under IFRS as defined benefit plans, but based on revised actuarial estimates that exclude the effect of future salary increases. The difference compared with the previous actuarial estimate has been treated as a plan curtailment in accordance with IAS 19 paragraph 109 and has been recognized in the second-half 2007 income statement under 'Other operating income' for an amount of €2.1 million. Actuarial gains and losses previously recognized in the statement of recognized income and expense have been reclassified in retained earnings, in accordance with IAS 19 (revised), paragraph 93A s.

The resulting provisions for termination benefits amount to €54.4 million as of December 31, 2008 (December 31, 2007: €56.5 million; December 31, 2006: €58.5 million).

**D) PROVISIONS FOR RETIREMENT BENEFITS AND  
OTHER POST-EMPLOYMENT BENEFITS IN THE  
UNITED STATES AND THE UNITED KINGDOM**

In the United States and the United Kingdom, the Group provides pension benefits for employees and health care and life insurance for certain retired employees.

The related benefit obligations amounted to €110.0 million as of December 31, 2008 (December 31, 2007: €133.7 million; December 31, 2006: €153.6 million). This amount is covered by pension fund assets estimated at €76.1 million as of December 31, 2008 (December 31, 2007: €111.1 million; December 31, 2006: €109.4 million) and by provisions.

The projected benefit obligation is computed on the basis of staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. In the United States, the calculation was based on a salary increase rate of 3.5%, a discount rate of 6.28% (3.3% and 6.1% in 2007 and 4.3% and 5.8% in 2006) and an expected return on plan assets of 7.5% (8.0% in 2007 and 7.0% in 2006). In the United Kingdom, the calculation was based on a salary increase rate of 3.8%, a discount rate of 6.4% (4.4% and 5.8% in 2007, 4.1% and 5.1% in 2006), and an expected return on plan assets of 6.65% (6.7% in 2007 and 4.5% in 2006).

**■ NOTE 17 - SHORT-TERM BORROWINGS**

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Facility Agreement	87.1	87.2	138.8
Commercial paper	11.7	236.5	226.9
Other borrowings	302.5	331.0	425.0
	<b>401.3</b>	<b>654.7</b>	<b>790.7</b>

**■ NOTE 18 - SHORT-TERM PROVISIONS AND OTHER CURRENT LIABILITIES**

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Tax liabilities	64.5	79.0	81.5
Accrued employee benefits expense	156.1	160.3	151.5
Current portion of statutory profit-sharing reserve	13.7	10.8	10.9
Payables related to fixed asset purchases	16.9	17.2	13.3
Accrued expenses	70.1	48.3	37.2
Accrued interest	38.6	36.0	33.8
Deferred revenue	10.2	8.5	4.9
Current portion of pension and other post-employment benefit obligations	6.4	7.4	7.7
Other current liabilities	131.9	130.4	96.0
	<b>508.4</b>	<b>497.9</b>	<b>436.8</b>

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### ■ NOTE 19 - ANALYSIS OF CERTAIN EXPENSES

#### A) ANALYSIS OF OPERATING EXPENSES

Operating expenses include the following categories of costs:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Raw materials and component costs	(1,276.0)	(1,253.6)	(1,120.3)
Salaries and payroll taxes	(1,049.3)	(1,034.4)	(975.7)
Employee profit-sharing	(32.7)	(32.5)	(31.7)
<b>TOTAL PERSONNEL COSTS</b>	<b>(1,082.0)</b>	<b>(1,066.9)</b>	<b>(1,007.4)</b>
Depreciation expense	(136.1)	(131.5)	(142.0)
Amortization expense	(81.0)	(84.4)	(101.4)

As of December 31, 2008 the Group had 31,596 employees on the payroll (December 31, 2007: 33,656; December 31, 2006: 30,706).

#### B) ANALYSIS OF OTHER OPERATING INCOME AND EXPENSE

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Employee profit-sharing	(32.7)	(32.5)	(31.7)
Restructuring costs	(47.6)	(8.2)	(23.6)
IPO costs	0.0	0.0	(9.1)
Other	(56.4)	(64.8)	(45.5)
	<b>(136.7)</b>	<b>(105.5)</b>	<b>(109.9)</b>

### ■ NOTE 20 - FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSE, NET

#### A) EXCHANGE GAINS (LOSSES)

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Exchange gains (losses)	(25.3)	44.0	40.4

Exchange gains (losses) mainly concern long-term borrowings. In 2007 and 2008, exchange gains (losses) mainly resulted from changes in the euro/US dollar exchange rate, while the 2006 figure

includes an exceptional €30.4 million exchange gain recognized when the High-Yield Notes were redeemed in February.

#### B) FINANCE COSTS, NET

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Interest income	29.1	42.5	33.7
Finance costs	(145.6)	(146.6)	(157.4)
Change in fair value of financial instruments	(6.1)	(5.8)	0.0
	<b>(151.7)</b>	<b>(152.4)</b>	<b>(157.4)</b>
	<b>(122.6)</b>	<b>(109.9)</b>	<b>(123.7)</b>

**NOTE 21 - INCOME TAX EXPENSE (CURRENT AND DEFERRED)**

Profit before taxes and share of profit of associates is as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
France	100.7	174.8	16.5
Outside France	394.2	420.8	320.8
	<b>494.9</b>	<b>595.6</b>	<b>337.3</b>

Income tax expense consists of the following:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Current taxes:			
France	(38.3)	0.6	3.5
Outside France	(136.5)	(137.7)	(103.3)
	<b>(174.8)</b>	<b>(137.1)</b>	<b>(99.8)</b>
Deferred taxes:			
France	16.4	(55.6)	27.8
Outside France	15.0	17.7	(10.9)
	<b>31.4</b>	<b>(37.9)</b>	<b>16.9</b>
Total income tax expense:			
France	(21.9)	(55.0)	31.3
Outside France	(121.5)	(120.0)	(114.2)
	<b>(143.4)</b>	<b>(175.0)</b>	<b>(82.9)</b>

The reconciliation of total income tax expense for the period to income tax calculated at the standard tax rate in France is as follows:

<i>(Tax rate)</i>	December 31, 2008	December 31, 2007	December 31, 2006
<b>Standard French income tax rate</b>	<b>34.43%</b>	<b>34.43%</b>	<b>34.43%</b>
Increases (reductions):			
■ effect of foreign income tax rates	(3.83%)	(0.77%)	(1.27%)
■ non-taxable items	1.09%	0.36%	2.44%
■ income taxable at specific rates	1.20%	1.34%	2.35%
■ other	(3.86%)	(1.84%)	(3.95%)
	<b>29.03%</b>	<b>33.52%</b>	<b>34.00%</b>
Impact on deferred taxes of:			
■ Changes in tax rates	0.01%	(4.08%)	0.04%
■ Recognition or non-recognition of deferred tax assets	(0.07%)	(0.05%)	(9.50%)
<b>Effective tax rate</b>	<b>28.97%</b>	<b>29.39%</b>	<b>24.54%</b>



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Deferred taxes recorded in the balance sheet result from temporary differences between the carrying amount of assets and liabilities and their tax base and can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Deferred taxes recorded by French companies	(360.3)	(377.9)	(322.6)
Deferred taxes recorded by foreign companies	(202.2)	(212.7)	(216.7)
	<b>(562.5)</b>	<b>(590.6)</b>	<b>(539.3)</b>
Origin of deferred taxes:			
■ depreciation of fixed assets	(79.6)	(57.8)	(36.7)
■ tax loss carryforwards	5.3	6.1	58.3
■ statutory profit-sharing	4.9	2.7	4.5
■ pensions and other post-employment benefits	21.0	15.2	21.6
■ subordinated perpetual notes	0.0	0.0	2.2
■ developed technology	(19.3)	(34.6)	(57.4)
■ trademarks	(531.8)	(527.5)	(558.8)
■ impairment losses on inventories and receivables	22.1	19.7	21.4
■ fair value adjustments to derivative instruments	(5.3)	(6.9)	(10.0)
■ translation adjustments	0.1	0.7	0.8
■ non-deductible provisions	47.5	29.8	23.2
■ margin on inventories	16.4	13.6	10.4
■ other	(43.8)	(51.6)	(18.8)
	<b>(562.5)</b>	<b>(590.6)</b>	<b>(539.3)</b>
■ of which deferred tax assets	76.4	64.3	124.6
■ of which deferred tax liabilities	(638.9)	(654.9)	(663.9)

Changes in deferred tax liabilities on depreciation of fixed assets in 2006 are mainly due to reversal of a deferred tax liability that was recognized through the goodwill in the balance sheet of an Italian entity at the time of the Legrand acquisition in 2002.

Changes in deferred tax on developed technology and trademarks in 2007 include the accounting impact of changes in tax rules in Italy, which had the effect of reducing the tax rate to 31.40% from 37.25% previously.

Short and long-term deferred taxes can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Deferred taxes – short term	62.5	42.6	35.1
Deferred taxes – long term	(625.0)	(633.2)	(574.4)
	<b>(562.5)</b>	<b>(590.6)</b>	<b>(539.3)</b>

Tax losses carried forward as of December 31, 2008 broke down as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Net recognized operating losses carried forward	21.5	24.1	176.7
Recognized deferred tax assets	5.3	6.1	58.3
Net unrecognized operating losses carried forward	95.1	110.5	226.7
Unrecognized deferred tax assets*	27.7	32.1	76.4
Total net operating losses carried forward	116.6	134.6	403.4

\* Including €16.5 million that will be set off against goodwill if a deferred tax asset is recognized.

As explained in note 13, the subordinated perpetual notes issued by the Group are subject to specific tax rules, the application of which was specified in France's amended 2005 Finance Act.

Application of these rules led to a €110.0 million reduction in the Group's tax loss carryforwards in 2005 and a further €62.5 million reduction in the first half of 2007.

## ■ NOTE 22 - CONTINGENCIES AND COMMITMENTS

The Group is involved in a number of claims and legal proceedings arising in the normal course of business. In the opinion of management, all such matters have been adequately provided for or are without merit, and are of such nature that, should the outcome nevertheless be unfavorable to the Group, they should not have a material adverse effect on the Group's consolidated financial position or results of operations.

### OPERATING LEASES

The Group uses certain facilities under lease agreements and leases certain equipment. There are no special restrictions related to these operating leases. Future minimum rental commitments under non-cancelable leases are detailed below:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Due within one year	18.5	18.9	17.7
Due in one to two years	13.9	14.8	14.0
Due in two to three years	10.6	11.5	11.1
Due in three to four years	7.8	8.7	8.6
Due in four to five years	5.1	7.0	7.0
Due beyond five years	3.5	7.1	8.4
	<b>59.4</b>	<b>68.0</b>	<b>66.8</b>

### COMMITMENTS TO PURCHASE PROPERTY, PLANT AND EQUIPMENT

Commitments to purchase property, plant and equipment amounted to €21.1 million as of December 31, 2008.

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### ■ NOTE 23 - DERIVATIVE INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS

The Group's cash management strategy is based on overall financial risk management principles and involves taking specific measures to manage the risks associated with interest rates, exchange rates, commodity prices and the investment of available cash. The Group does not conduct any trading in financial instruments, in line with its policy of not carrying out any speculative transactions. All transactions involving financial instruments are conducted with the sole purpose of managing interest rate, exchange rate and commodity risks and as such are limited in duration and value.

This strategy is centralized at Group level. Its implementation is deployed by the Financing and Treasury Department who recommends appropriate measures and implements them after they have been validated by the Corporate Finance Department and Group senior management. A detailed reporting system has been set up to permit permanent close tracking of the Group's positions and effective oversight of the management of the financial risks described in this note.

Current financial assets and liabilities are as follows:

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
<b>Other current financial assets</b>	<b>5.0</b>	<b>11.8</b>	<b>22.2</b>
Mirror swaps and swaps on TSDI 2 & 3	0.0	0.0	1.6
Swaps on other borrowings	0.0	4.6	12.1
Financial derivatives with a positive fair value	5.0	7.2	8.5
<b>Other current financial liabilities</b>	<b>0.0</b>	<b>86.9</b>	<b>66.6</b>
Swaps on TSDI 2	0.0	0.0	8.1
Swaps on other borrowings	0.0	86.9	58.5
Financial derivatives with a negative fair value	0.0	0.0	0.0

The change in other current financial liabilities was mainly due to the expiration of the swap hedging the 8½% debentures (Yankee bonds).

#### A) INTEREST RATE RISK

As part of an interest rate risk management policy aimed principally at managing the risk of a rate increase, the Group has structured its debt into a combination of fixed and variable rate financing.

As of December 31, 2008 the breakdown of debt (excluding debt issuance costs) between fixed and variable rate was as follows:

<i>(in € millions)</i>	December 31, 2008
Fixed rates	279.2
Variable rates	2,145.1

The following table analyzes variable rate financial assets and liabilities based on the frequency of rate adjustments.

<i>(in € millions)</i>	Overnight and short-term	Medium-term (1 to 5 years)	Long-term (more than 5 years)
Gross debt (excluding debt issuance costs)	2,145.1	-	-
Cash and marketable securities	(559.7)	-	-
Net debt	1,585.4	-	-
Hedges	1,429.6	-	-
Position after hedging	155.8	-	-

Interest rate risk arises mainly from variable-rate financial assets and liabilities and is managed primarily through the use of hedging instruments.

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Based on average debt in 2008 and the hedging instruments described below, the Group estimates that a 100-basis point increase in interest rates on variable-rate debt should not result in a decrease in annual profit before taxes of more than €11.0 million (2007: €13.0 million; 2006: €7.0 million).

### Caps:

Variable-rate debt is hedged by interest-rate instruments with maturities of no more than two years. These contracts are mainly caps, in line with the Group's policy of setting an upper limit on interest rates while retaining the opportunity to benefit from more favorable rate changes.

The portfolio of caps on euro-denominated debt breaks down as follows:

<i>(in € millions)</i>	December 31, 2008		
	Amount hedged	Benchmark rate	Average guaranteed rate including premium
Period covered			
January 2009 – February 2009	1,500.0	Euribor 3 months	5.28%
March 2009	1,750.0	Euribor 3 months	5.31%
April 2009 – September 2009	1,250.0	Euribor 3 months	5.83%
October 2009 – December 2009	850.0	Euribor 3 months	5.88%
January 2010 – February 2010	350.0	Euribor 3 months	5.51%
March 2010	100.0	Euribor 3 months	5.55%

The portfolio of caps on dollar-denominated debt breaks down as follows:

<i>(in USD millions)</i>	December 31, 2008		
	Amount hedged	Benchmark rate	Average guaranteed rate including premium
Period covered			
January 2009 – March 2009	250.0	Libor 3 months	3.53%
April 2009 – May 2009	150.0	Libor 3 months	3.07%
June 2009	100.0	Libor 3 months	2.93%

The caps do not fulfill the criteria for the application of hedge accounting under IAS 39 and have therefore been measured at fair value and recognized in "Other current financial assets", in an amount of €1.0 million at December 31, 2008 (December 31, 2007: €6.5 million; December 31, 2006: €8.5 million). The effect of changes in fair value on consolidated profit was a €6.4 million loss in 2008 (2007: €3.0 million loss; 2006: €3.0 million gain), recognized in "Finance costs and other financial income and expense, net" (note 20).

### Swaps:

The Group has also entered into interest rate swaps with selected major financial institutions to hedge interest rate risks on its subordinated perpetual notes (TSDIs) and 8½% debentures.

The fair value of each swap agreement is determined at each balance sheet date, based on rates implied in the yield curve at the reporting date; these implied rates may change, with an impact on cash flows.

### Interest rate swaps on subordinated perpetual notes (TSDIs) (note 13)

In order to manage its exposure to interest rate fluctuations, the Group hedged its interest rate payment obligation on its subordinated perpetual notes (TSDIs) with interest rate swaps.

The notional amount of these swaps is linked to the capitalized amount of the TSDIs. The TSDI 1 notes and related swap both matured on December 19, 2005, while the TSDI 2 notes and related swap both matured on March 11, 2007.

<i>(in € millions)</i>	December 31, 2008	December 31, 2007	December 31, 2006
Interest rate swaps hedging subordinated notes			
Notional amount	0.0	0.0	273.2
Swaps on TSDI 2 subordinated perpetual notes (liabilities)	0.0	0.0	8.1
Mirror swaps and swaps on TSDI 2 & 3 (assets)	0.0	0.0	1.6

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### Interest rate swap on the 8½% debentures (Yankee bonds) (note 14)

The swap expired at the end of February 2008, in line with the April 2003 novation agreement under which the Group sold the tranche corresponding to the contract's 2008-2025 maturities. When the swap expired, refinancing of €86.0 million was arranged, corresponding to the Group's liability under the currency swap component.

The swap's purpose was to convert the fixed rate of interest payable to the holders of the 8½% debentures into a variable rate indexed on LIBOR. The swap's notional amount matched the amount of the debentures and its fair value was exactly

symmetrical to the debentures' fair value. As a result, the effective interest rate of the debentures after the swap agreement was LIBOR plus 53 basis points.

In addition, in February 2003, the Group entered into a cross currency swap with respect to the 8½% debentures fixing the interest rate payable on the \$350.0 million principal amount at 4.6% per year. The remaining \$50.0 million in principal continued to be at a variable rate (LIBOR plus 53 basis points).

Since February 2008, when the swap expired, the Group has once again been paying a fixed rate of 8½%.

Further interest rate swap arrangements may be entered into in the future, based on changes in market conditions.

Interest rate swap hedging the 8½% debentures	December 31, 2008	December 31, 2007	December 31, 2006
Notional amount (in USD millions)	0.0	400.0	400.0
Swaps (assets) (in € millions)	0.0	4.6	12.1
Swaps (liabilities) (in € millions)	0.0	86.9	58.5

The swaps have been measured at fair value in the balance sheet, with changes in fair value recognized through profit. The changes in fair value had no net effect on consolidated profit in 2008 (2007: €2.8 million loss; 2006: €3.0 million loss), recognized in "Finance costs and other financial income and expense, net" (note 20).

### B) CURRENCY RISK

The Group operates in international markets and is therefore exposed to risks through its use of several different currencies.

The table below presents financial assets (cash and marketable securities) and financial liabilities by currency as of December 31, 2008:

(in € millions)	Assets Cash and marketable securities	Equity and liabilities Financial liabilities (before debt issuance costs)
Euro	390.8	1,745.0
Dollar	97.1	484.3
Other currencies	71.8	195.0
	<b>559.7</b>	<b>2,424.3</b>

Natural hedges are set up by matching allocation of net debt and operating profit in each of the Group's main operating currencies.

If required, when acquisition of an asset is financed using a currency other than the functional currency of the country, the

Group may enter in forward-contracts to hedge its exchange rate risk. As at December 31, 2008 the Group has set up forward contracts in Brazilian real and Australian dollar which have a fair value of an amount of 0.5 million euros.

The table below presents the breakdown of net sales and operating expenses by currency as of December 31, 2008:

(in € millions)	Net sales		Operating expenses (excluding purchase accounting adjustments relating to the acquisition)	
Euro	2,411.7	57%	1,940.8	56%
Dollar	581.5	14%	506.3	14%
Other currencies	1,209.2	29%	1,057.4	30%
	<b>4,202.4</b>	<b>100%</b>	<b>3,504.5</b>	<b>100%</b>



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Natural hedges are set up by matching costs and operating income in each of the Group's main operating currencies.

Residual amounts are hedged by options to limit the Group's exposure to fluctuations in the main currencies concerned, such as the US dollar, the Singapore dollar, the British pound and the Russian ruble. These hedges are for periods of less than 18 months. They do not fulfill the criteria for the application of hedge accounting under IAS 39 and have therefore been measured at fair value and recognized in "Other current financial assets", in an amount of €4.0 million as of December 31, 2008 (December 31, 2007: €0.7 million; December 31, 2006: €0.0 million). These hedges led to a €5.4 million gain in 2008 (2007: €0.8 million loss; 2006: €0.2 million loss), recognized in "Exchange gains (losses)" (note 20 a).

The Group estimates that, all other things being equal, a 10% increase in the exchange rate of the euro against all other currencies in 2008 would have resulted in a decrease in net revenue of approximately €163.0 million (2007: €148.0 million; 2006: €131.0 million) and a decrease in operating profit of approximately €20.0 million (2007: €20.0 million; 2006: €15.0 million).

### C) COMMODITY RISK

The Group is exposed to commodity risk arising from changes in the price of raw materials.

Raw materials purchases amounted to around €483 million in 2008 (2007: €477 million; 2006: €454 million).

Derivative financial instruments (options) were set up for limited amounts and periods, to hedge part of the risk of an unfavorable change in copper prices. These contracts ended in December 2008.

All in all, a 10% increase in the price of all the raw materials used by the Group would theoretically feed through to around a €48 million increase in annual purchasing costs. However, the Group believes that it could, circumstances permitting, raise the prices of its products in the short term to offset the resulting adverse impact.

### D) CREDIT RISK

Credit risk covers both:

- risks related to outstanding customer receivables;
- counterparty risks with financial institutions.

As explained in note 7, a substantial portion of Group revenue is generated with two major distributors. Other revenue is essentially derived from distributors of electrical products but sales are diversified due to the large number of customers and their geographic dispersion. The Group mitigates its credit risk by establishing and performing regular reviews of individual credit limits for each customer, and constantly monitoring collection of its outstanding receivables.

Financial instruments that may potentially expose the Group to counterparty risk are principally cash equivalents, short-term investments and hedging instruments. These assets are placed with leading financial institutions approved by the Group which constantly monitors the amount of credit exposure with any one financial institution.

### E) LIQUIDITY RISK

The Group considers that managing liquidity risk depends primarily on having access to diversified sources of financing as to their origin and maturity and this represents the basis of its Group-level control processes.

Under the provisions of the 2006 Credit Facility described in note 14 a) and the loan agreement for the bank loan described in note 14 d), consolidated adjusted net debt/adjusted maintainable EBITDA (net debt and maintainable EBITDA adjusted as defined in the loan agreements) must be less than or equal to 3.5 at the end of every six-month period. This ratio is tracked monthly; as of December 31, 2008 it stood at 2.04.

The total amount of net debt (€1,861.8 million as of December 31, 2008) is fully financed by financing facilities expiring at the earliest in 2013 and at the latest in 2025. In addition, the Group has financing capacity in undrawn lines of credit (note 14 e)).

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### ■ NOTE 24 - INFORMATION RELATING TO CORPORATE OFFICERS

In 2006, under the liquidity offer made to all holders of Legrand France 2001 stock options, corporate officers were paid a total amount of €2.2 million before taxes.

At the time of acquisition of Legrand France on December 10, 2002, the main corporate officers of the Group became indirect

shareholders of Legrand. Amounts indirectly invested were paid at fair value.

At the time of the IPO, the main corporate officers became direct shareholders of Legrand.

#### A) SHORT-TERM BENEFITS

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
Advances and loans to corporate officers	0.0	0.0	0.0
Compensation paid to corporate officers*	2.3	1.8	1.2
Compensation due to corporate officers**	1.8	2.2	1.7

\* Compensation paid during base year to executive officers and members of the Board of Directors who hold operating responsibilities within the Group.

\*\* Compensation due for base year to executive officers and members of the Board of Directors who hold operating responsibilities within the Group.

#### B) POST-EMPLOYMENT BENEFITS

A supplementary pension plan is available to members of the Group Executive Committee who form part of the pension plan set up for French employees. This plan provides beneficiaries with pension benefits equal to 50.0% of the average of the highest two years of compensation they received during the last three years worked with Legrand. To be eligible for the scheme the beneficiary must be at least 60 years of age and have been an employee of Legrand for at least ten years. If the beneficiary dies, 60% of the pension benefits revert to the surviving spouse.

#### C) OTHER LONG-TERM BENEFITS

In accordance with the Collective Bargaining Agreement for Steel Workers (*Convention Collective de la Métallurgie*), the executive officers are entitled, within their contract of employment (*contrat de travail*) as at December 31, 2008, to retirement indemnities of a maximum amount of four months salary.

As at December 31, 2008 the executive officers are also subject to the standard non-compete covenant corresponding to the provisions of the non-compete covenant defined in the Collective Bargaining Agreement for Steel Workers (*Convention Collective de la Métallurgie*). The enforcement of this covenant is left to the Group's discretion and would result in a payment to the executive officers in the amount of 50% of their base salary over a maximum period of two years.

#### D) END OF CONTRACT INDEMNITIES

Except amounts due as retirement indemnities or because of the non-compete covenant as mentioned above, the executive officers do not benefit from any other commitment linked to salary, indemnities or benefits due or likely to be due because of termination of their contract of employment (*contrat de travail*), modifications to them or subsequent to them.

Provisions as defined in the Collective Bargaining Agreement for Steel Workers (*Convention Collective de la Métallurgie*) would apply should the Group chose to terminate the executive officers' function.

#### E) SHARE-BASED PAYMENT

Under the 2008 free shares and stock option plans, corporate officers were granted 47,077 free shares and 141,231 options.

Under the 2007 free shares and stock option plans, corporate officers were granted 26,427 free shares and 79,281 options.

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**NOTE 25 - INFORMATION BY GEOGRAPHICAL SEGMENT (NOTE 1 (R))**

Legrand is the global specialist in products and systems for electrical installations and information networks where people live and work. The following information by geographical segment corresponds to the Group's consolidated reporting system.

12 months ended December 31, 2008 <i>(in € millions)</i>	Geographical segments					Items not allocated to segments	Total
	Europe			USA/ Canada	Rest of the world		
	France	Italy	Others				
Total revenue	2,600.3	1,001.6	1,130.8	640.8	934.6		6,308.1
Less intra-group transfers	(1,454.0)	(235.8)	(236.1)	(59.3)	(120.5)		(2,105.7)
<b>Revenue</b>	<b>1,146.3</b>	<b>765.8</b>	<b>894.7</b>	<b>581.5</b>	<b>814.1</b>		<b>4,202.4</b>
Cost of sales	(410.1)	(328.9)	(556.7)	(296.8)	(477.5)		(2,070.0)
Administrative and selling expenses, R&D costs	(467.9)	(219.7)	(235.9)	(209.7)	(219.7)		(1,352.9)
Other operating income (expense)	(55.1)	(6.9)	(32.2)	(28.0)	(14.5)		(136.7)
<b>Operating profit</b>	<b>213.2</b>	<b>210.3</b>	<b>69.9</b>	<b>47.0</b>	<b>102.4</b>		<b>642.8</b>
■ of which Legrand post- acquisition expenses	(27.0)	(12.6)	(3.9)	(9.7)	(1.9)		(55.1)
<b>Adjusted operating profit</b>	<b>240.2</b>	<b>222.9</b>	<b>73.8</b>	<b>56.7</b>	<b>104.3</b>		<b>697.9</b>
■ of which depreciation expense	(54.0)	(29.7)	(17.4)	(16.4)	(17.5)		(135.0)
■ of which amortization expense	(2.8)	(7.4)	(1.9)	(2.5)	(3.2)		(17.8)
■ of which amortization of development costs	(6.0)	(2.8)	0.0	(0.4)	0.0		(9.2)
■ of which restructuring costs	(7.1)	(2.4)	(17.1)	(17.0)	(4.0)		(47.6)
Exchange gains (losses)						(25.3)	(25.3)
Finance costs and other financial income and expense						(122.6)	(122.6)
Income tax expense						(143.4)	(143.4)
Minority interest and share of (loss)/profit of associates						1.6	1.6
Net cash provided by operating activities						577.5	577.5
Net proceeds from sales of fixed and financial assets						12.5	12.5
Capital expenditure	(35.6)	(39.9)	(17.6)	(11.2)	(26.7)		(131.0)
Capitalized development costs	(20.1)	(6.1)	0.0	(3.2)	0.0		(29.4)
<b>Free cash flow*</b>						<b>429.6</b>	<b>429.6</b>
Total assets						6,383.7	6,383.7
Segment liabilities	365.7	205.3	110.2	110.8	126.8		918.8

\* Free cash flow is defined as the sum of net cash provided by operating activities and net proceeds from sales of fixed and financial assets minus capital expenditure and capitalized development costs.



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12 months ended December 31, 2007 <i>(in € millions)</i>	Geographical segments					Items not allocated to segments	Total
	Europe			USA/ Canada	Rest of the world		
	France	Italy	Others				
Total revenue	2,626.9	1,006.6	1,087.2	694.7	802.6		6,218.0
Less intra-group transfers	(1,423.7)	(237.6)	(257.4)	(55.0)	(115.5)		(2,089.2)
<b>Revenue</b>	<b>1,203.2</b>	<b>769.0</b>	<b>829.8</b>	<b>639.7</b>	<b>687.1</b>		<b>4,128.8</b>
Cost of sales	(489.4)	(322.1)	(529.4)	(338.0)	(381.6)		(2,060.5)
Administrative and selling expenses, R&D costs	(462.5)	(216.5)	(218.6)	(216.3)	(187.4)		(1,301.3)
Other operating income (expense)	(52.7)	(15.7)	(13.8)	(12.7)	(10.6)		(105.5)
<b>Operating profit</b>	<b>198.6</b>	<b>214.7</b>	<b>68.0</b>	<b>72.7</b>	<b>107.5</b>		<b>661.5</b>
■ of which Legrand post- acquisition expenses	(33.2)	(15.7)	(4.8)	(6.5)	(2.3)		(62.5)
<b>Adjusted operating profit</b>	<b>231.8</b>	<b>230.4</b>	<b>72.8</b>	<b>79.2</b>	<b>109.8</b>		<b>724.0</b>
■ of which depreciation expense	(54.4)	(26.6)	(18.0)	(14.6)	(16.8)		(130.4)
■ of which amortization expense	(2.7)	(6.3)	(0.9)	(2.0)	(2.9)		(14.8)
■ of which amortization of development costs	(5.3)	(2.8)	0.0	(0.1)	0.0		(8.2)
■ of which restructuring costs	(1.1)	(4.4)	(3.3)	(2.7)	3.3		(8.2)
Exchange gains (losses)						44.0	44.0
Finance costs and other financial income and expense						(109.9)	(109.9)
Income tax expense						(175.0)	(175.0)
Minority interest and share of (loss)/profit of associates						0.4	0.4
Net cash provided by operating activities						685.5	685.5
Net proceeds from sales of fixed and financial assets						38.8	38.8
Capital expenditure	(49.5)	(50.4)	(15.3)	(14.9)	(19.3)		(149.4)
Capitalized development costs	(13.8)	(6.0)	0.0	(2.2)	0.0		(22.0)
<b>Free cash flow*</b>						<b>552.9</b>	<b>552.9</b>
Total assets						6,109.6	6,109.6
Segment liabilities	373.3	233.6	139.8	96.9	128.3		971.9

\* Free cash flow is defined as the sum of net cash provided by operating activities and net proceeds from sales of fixed and financial assets minus capital expenditure and capitalized development costs.

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**FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES,  
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Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2008, December 31, 2007 and December 31, 2006

12 months ended December 31, 2006 <i>(in € millions)</i>	Geographical segments					Items not allocated to segments	Total
	Europe			USA/Canada	Rest of the world		
	France	Italy	Others				
Total revenue	2,425.0	937.6	963.2	696.5	621.5		5,643.8
Less intra-group transfers	(1,316.3)	(223.8)	(214.6)	(42.8)	(109.5)		(1,907.0)
<b>Revenue</b>	<b>1,108.7</b>	<b>713.8</b>	<b>748.6</b>	<b>653.7</b>	<b>512.0</b>		<b>3,736.8</b>
Cost of sales	(439.8)	(326.1)	(474.7)	(363.4)	(277.7)		(1,881.7)
Administrative and selling expenses, R&D costs	(452.3)	(210.4)	(208.1)	(211.7)	(133.1)		(1,215.6)
Other operating income (expense)	(50.4)	(14.5)	(7.0)	(14.8)	(23.2)		(109.9)
<b>Operating profit</b>	<b>166.2</b>	<b>162.8</b>	<b>58.8</b>	<b>63.8</b>	<b>78.0</b>		<b>529.6</b>
■ of which Legrand post- acquisition expenses	(45.4)	(21.9)	(6.5)	(9.5)	(3.3)		(86.6)
<b>Adjusted operating profit</b>	<b>211.6</b>	<b>184.7</b>	<b>65.3</b>	<b>73.3</b>	<b>81.3</b>		<b>616.2</b>
■ of which depreciation expense	(57.3)	(27.4)	(19.0)	(20.3)	(16.8)		(140.8)
■ of which amortization expense	(2.7)	(5.3)	(0.9)	(1.0)	(2.7)		(12.6)
■ of which amortization of development costs	(1.6)	(1.8)	0.0	0.0	0.0		(3.4)
■ of which restructuring costs	(5.0)	(2.6)	(3.3)	(3.0)	(9.7)		(23.6)
Exchange gains (losses)						40.4	40.4
Finance costs and other financial income and expense						(123.7)	(123.7)
Income tax expense						(82.9)	(82.9)
Minority interest and share of (loss)/profit of associates						(2.4)	(2.4)
Net cash provided by operating activities						581.5	581.5
Net proceeds from sales of fixed and financial assets						27.5	27.5
Capital expenditure	(50.5)	(30.7)	(16.1)	(15.4)	(18.1)		(130.8)
Capitalized development costs	(16.7)	(5.4)	0.0	0.0	0.0		(22.1)
<b>Free cash flow*</b>						<b>456.1</b>	<b>456.1</b>
Total assets						5,936.1	5,936.1
Segment liabilities	356.6	207.8	126.2	96.8	103.8		891.2

\* Free cash flow is defined as the sum of net cash provided by operating activities and net proceeds from sales of fixed and financial assets minus capital expenditure and capitalized development costs.

FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES,  
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December 31, 2007 and December 31, 2006

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■ NOTE 26 - QUARTERLY DATA - NON-AUDITED

A) QUARTERLY REVENUE BY GEOGRAPHICAL SEGMENT (BILLING REGION) - NON-AUDITED

<i>(in € millions)</i>	1 <sup>st</sup> quarter 2008	1 <sup>st</sup> quarter 2007	1 <sup>st</sup> quarter 2006
France	293.3	306.0	283.6
Italy	226.5	223.5	202.9
Rest of Europe	218.3	198.7	180.5
USA/Canada	136.0	158.8	163.6
Rest of the world	174.9	145.7	110.0
<b>TOTAL</b>	<b>1,049.0</b>	<b>1,032.7</b>	<b>940.6</b>

<i>(in € millions)</i>	2 <sup>nd</sup> quarter 2008	2 <sup>nd</sup> quarter 2007	2 <sup>nd</sup> quarter 2006
France	313.9	310.9	284.9
Italy	212.6	206.0	191.5
Rest of Europe	232.8	209.4	183.6
USA/Canada	142.5	168.0	176.8
Rest of the world	215.2	168.7	115.9
<b>TOTAL</b>	<b>1,117.0</b>	<b>1,063.0</b>	<b>952.7</b>

<i>(in € millions)</i>	3 <sup>rd</sup> quarter 2008	3 <sup>rd</sup> quarter 2007	3 <sup>rd</sup> quarter 2006
France	264.9	276.8	253.8
Italy	158.9	170.9	159.4
Rest of Europe	231.3	205.9	181.4
USA/Canada	155.1	168.2	166.7
Rest of the world	209.1	178.0	127.1
<b>TOTAL</b>	<b>1,019.3</b>	<b>999.8</b>	<b>888.4</b>

<i>(in € millions)</i>	4 <sup>th</sup> quarter 2008	4 <sup>th</sup> quarter 2007	4 <sup>th</sup> quarter 2006
France	274.2	309.5	286.4
Italy	167.8	168.6	160.0
Rest of Europe	212.3	215.8	203.1
USA/Canada	147.9	144.7	146.6
Rest of the world	214.9	194.7	159.0
<b>TOTAL</b>	<b>1,017.1</b>	<b>1,033.3</b>	<b>955.1</b>

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**FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES,  
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**B) QUARTERLY INCOME STATEMENTS – NON-AUDITED**

<i>(in € millions)</i>	1 <sup>st</sup> quarter 2008	1 <sup>st</sup> quarter 2007	1 <sup>st</sup> quarter 2006
<b>Revenue</b>	<b>1,049.0</b>	<b>1,032.7</b>	<b>940.6</b>
<b>Operating expenses</b>			
Cost of sales	(507.6)	(507.3)	(465.4)
Administrative and selling expenses	(288.0)	(270.0)	(246.5)
Research and development costs	(54.8)	(54.8)	(60.5)
Other operating income (expense)	(23.6)	(31.2)	(26.5)
<b>Operating profit</b>	<b>175.0</b>	<b>169.4</b>	<b>141.7</b>
Finance costs	(37.5)	(38.1)	(53.0)
Financial income	8.3	9.6	6.4
Exchange gains (losses)	25.5	3.1	5.8
Loss on extinguishment of debt	0.0	0.0	(109.0)
Finance costs and other financial income and expense, net	(3.7)	(25.4)	(149.8)
Share of profit of associates	0.6	0.5	0.5
<b>Profit before tax</b>	<b>171.9</b>	<b>144.5</b>	<b>(7.6)</b>
Income tax expense	(57.8)	(51.6)	(27.0)
<b>Profit for the period</b>	<b>114.1</b>	<b>92.9</b>	<b>(34.6)</b>
<b>Attributable to:</b>			
■ Equity holders of Legrand	<b>113.8</b>	<b>92.4</b>	<b>(35.3)</b>
■ Minority interests	<b>0.3</b>	<b>0.5</b>	<b>0.7</b>

<i>(in € millions)</i>	2 <sup>nd</sup> quarter 2008	2 <sup>nd</sup> quarter 2007	2 <sup>nd</sup> quarter 2006
<b>Revenue</b>	<b>1,117.0</b>	<b>1,063.0</b>	<b>952.7</b>
<b>Operating expenses</b>			
Cost of sales	(540.6)	(526.7)	(474.4)
Administrative and selling expenses	(298.5)	(276.0)	(249.7)
Research and development costs	(54.4)	(53.0)	(59.7)
Other operating income (expense)	(34.9)	(32.2)	(27.6)
<b>Operating profit</b>	<b>188.6</b>	<b>175.1</b>	<b>141.3</b>
Finance costs	(31.2)	(30.5)	(36.7)
Financial income	3.3	5.9	9.4
Exchange gains (losses)	7.0	5.3	15.9
Loss on extinguishment of debt	0.0	0.0	0.0
Finance costs and other financial income and expense, net	(20.9)	(19.3)	(11.4)
Share of profit of associates	(0.6)	0.1	0.0
<b>Profit before tax</b>	<b>167.1</b>	<b>155.9</b>	<b>129.9</b>
Income tax expense	(47.2)	(52.7)	(30.7)
<b>Profit for the period</b>	<b>119.9</b>	<b>103.2</b>	<b>99.2</b>
<b>Attributable to:</b>			
■ Equity holders of Legrand	<b>119.3</b>	<b>102.8</b>	<b>98.6</b>
■ Minority interests	<b>0.6</b>	<b>0.4</b>	<b>0.6</b>

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<i>(in € millions)</i>	3 <sup>rd</sup> quarter 2008	3 <sup>rd</sup> quarter 2007	3 <sup>rd</sup> quarter 2006
<b>Revenue</b>	<b>1,019.3</b>	<b>999.8</b>	<b>888.4</b>
<b>Operating expenses</b>			
Cost of sales	(499.9)	(498.3)	(446.2)
Administrative and selling expenses	(274.9)	(260.5)	(232.8)
Research and development costs	(49.8)	(54.8)	(56.3)
Other operating income (expense)	(28.7)	(18.5)	(19.9)
<b>Operating profit</b>	<b>166.0</b>	<b>167.7</b>	<b>133.2</b>
Finance costs	(36.6)	(46.1)	(35.4)
Financial income	5.0	14.2	8.5
Exchange gains (losses)	(50.7)	21.4	2.3
Loss on extinguishment of debt	0.0	0.0	0.0
Finance costs and other financial income and expense, net	(82.3)	(10.5)	(24.6)
Share of profit of associates	0.0	0.6	0.1
<b>Profit before tax</b>	<b>83.7</b>	<b>157.8</b>	<b>108.7</b>
Income tax expense	(23.8)	(54.2)	(24.8)
<b>Profit for the period</b>	<b>59.9</b>	<b>103.6</b>	<b>83.9</b>
<b>Attributable to:</b>			
■ Legrand	<b>59.4</b>	<b>103.3</b>	<b>83.2</b>
■ Minority interests	<b>0.5</b>	<b>0.3</b>	<b>0.7</b>

<i>(in € millions)</i>	4 <sup>th</sup> quarter 2008	4 <sup>th</sup> quarter 2007	4 <sup>th</sup> quarter 2006
<b>Revenue</b>	<b>1,017.1</b>	<b>1,033.3</b>	<b>955.1</b>
<b>Operating expenses</b>			
Cost of sales	(521.9)	(528.2)	(495.7)
Administrative and selling expenses	(283.2)	(275.3)	(248.7)
Research and development costs	(49.3)	(56.9)	(61.4)
Other operating income (expense)	(49.5)	(23.6)	(35.9)
<b>Operating profit</b>	<b>113.2</b>	<b>149.3</b>	<b>113.4</b>
Finance costs	(46.4)	(37.7)	(32.3)
Financial income	12.5	12.8	9.4
Exchange gains (losses)	(7.1)	14.2	16.4
Loss on extinguishment of debt	0.0	0.0	0.0
Finance costs and other financial income and expense, net	(41.0)	(10.7)	(6.5)
Share of profit of associates	0.0	0.8	0.2
<b>Profit before tax</b>	<b>72.2</b>	<b>139.4</b>	<b>107.1</b>
Income tax expense	(14.6)	(16.5)	(0.4)
<b>Profit for the period</b>	<b>57.6</b>	<b>122.9</b>	<b>106.7</b>
<b>Attributable to:</b>			
■ Legrand	<b>57.4</b>	<b>122.5</b>	<b>105.5</b>
■ Minority interests	<b>0.2</b>	<b>0.4</b>	<b>1.2</b>



## FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES OF THE GROUP

Statutory auditors' report on the consolidated financial statements for the year ended December 31, 2008

### ■ NOTE 27 - SUBSEQUENT EVENTS

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No significant events occurred between December 31, 2008 and the date when these consolidated financial statements were drawn up.

## ■ 11.2 - STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS FOR THE YEAR ENDED DECEMBER 31, 2008

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

## Statutory auditors' report on the consolidated financial statements for the year ended December 31, 2008

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### To the Shareholders

Legrand SA  
128, avenue du Maréchal de Lattre de Tassigny  
87000 Limoges

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you for the year ended December 31, 2008 on:

- the audit of the accompanying consolidated financial statements of Legrand SA, except that we have not performed any work on the quarterly information disclosed in note 26 of the consolidated financial statements;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

### ■ I - OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used

and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2008 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

Without qualifying our opinion above, we draw your attention to the note 1 of the consolidated financial statements presenting the anticipated application of IFRS 8 on Operating Segments.

## ■ II - JUSTIFICATION OF OUR ASSESSMENTS

Accounting estimates used to prepare the consolidated financial statements as at December 31, 2008 have been done in a context with uncertain economic forecasts. In this context and in accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

Goodwill and intangible assets represent respectively €1,854.3 million and €1,772.7 million of the total assets of your Company and have been recorded as a result of the acquisition of Legrand France in 2002 and of other subsidiaries since 2005. As mentioned in notes 1.f and 1.g of the consolidated financial statements, your Company performs, each year, an impairment test of the value of goodwill and intangible assets with indefinite useful lives; and assesses whether changes or circumstances relating to long term assets, which could lead to an impairment loss, have occurred during the year. We have reviewed the methods by which the impairment tests are performed as well as the projected cash flow and assumptions used for these impairment tests and verified that information disclosed in note 2 and 3 of the consolidated financial statements is appropriate.

These assessments were made as part of our audit approach of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## ■ III - SPECIFIC VERIFICATION

As required by law, we also verified the information presented in the Group management report.

We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Neuilly-sur-Seine, February 11, 2009

The Statutory Auditors

### **PricewaterhouseCoopers Audit**

Gérard Morin  
63, rue de Villiers  
92208 Neuilly-sur-Seine Cedex

### **Deloitte & Associés**

Dominique Descours  
185, avenue Charles-de-Gaulle  
92200 Neuilly-sur-Seine

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## 11.3 - FEES PAID TO STATUTORY AUDITORS

	PricewaterhouseCoopers Audit				Deloitte & Associés			
	In euros		%		In euros		%	
	2008	2007	2008	2007	2008	2007	2008	2007
<b>Audit</b>								
<i>Independent audit, certification, review of parent company and consolidated financial statements</i>	1,685,240	1,595,970	65%	60%	1,922,470	1,781,865	76%	66%
of which:								
Issuer	201,165	201,306	8%	8%	201,165	199,306	8%	7%
Fully consolidated subsidiaries	1,484,075	1,394,664	57%	53%	1,721,305	1,582,559	68%	59%
<i>Services directly related to the assignment</i>	351,788	324,313	14%	12%	558,752	881,990	22%	33%
of which:								
Issuer	199,585	324,313	8%	12%	142,446	20,000	6%	1%
Fully consolidated subsidiaries	152,203	0	6%	0%	416,306	861,990	68%	32%
<b>SUB-TOTAL AUDIT</b>	<b>2,037,028</b>	<b>1,920,283</b>	<b>78%</b>	<b>72%</b>	<b>2,481,223</b>	<b>2,663,855</b>	<b>99%</b>	<b>99%</b>
<b>Other services provided by networks to fully consolidated subsidiaries</b>								
Legal, tax, personnel-related	570,828	732,908	22%	28%	33,900	29,680	1%	1%
Other	0	0	0%	0%	0	0	0%	0%
<b>SUB-TOTAL, OTHERS</b>	<b>570,828</b>	<b>732,908</b>	<b>22%</b>	<b>28%</b>	<b>33,900</b>	<b>29,680</b>	<b>1%</b>	<b>1%</b>
<b>TOTAL</b>	<b>2,607,856</b>	<b>2,653,191</b>	<b>100%</b>	<b>100%</b>	<b>2,515,123</b>	<b>2,693,535</b>	<b>100%</b>	<b>100%</b>

## 11.4 - DIVIDEND POLICY

The Company may declare dividends upon the recommendation of its Board of Directors and the approval of its shareholders at their Annual General Meeting. However, the Group is under no obligation to do so, and the decision of whether to recommend payment of a dividend and the amount of the dividend will depend upon, among other factors, on:

- the Company's results and cash flows;
- the Company's financial position;
- the Company's future prospects;

- the Company's shareholders' interests;
- general business conditions;
- any other factors that the Company's Board of Directors deems relevant.

Notwithstanding the factors listed above, there is no formula for determining the amount of dividend to be paid. In addition, the French Commercial Code (*Code de commerce*) and the Company bylaws (*statuts*) limit the Company's right to pay dividends in certain circumstances.



Dividends distributed for the 2005, 2006 and 2007 financial years were as follows:

Year	Number of shares on which dividends were paid	Net dividend
2005	269,693,376 shares, €4	€0.41
2006	266,241,719 shares, €4	€0.50
2007	256,058,625 shares, €4	€0.70

All dividends distributed in 2005, 2006 and 2007 were eligible the 40% tax credit (abattement) provided for in article 158-3-2e of the French Tax Code.

Subject to the approval of the Shareholders' General Meeting to be held on May 26, 2009, Legrand should pay on June 4, 2009 a dividend of €0.70 per share for 2008.

Dividends paid to holders of shares whose domicile for tax purposes or registered office is located outside of France will generally be subject to French withholding tax at a rate of 25%.

Corporate holders of shares whose effective headquarters are located within the European Union may benefit from the waiver of withholding tax on dividends paid by a *société anonyme* if the conditions set forth in Article 119 ter of the French Tax Code are met. In addition, holders who qualify for benefits under an applicable tax treaty and who comply with the procedures for claiming treaty benefits may be entitled to a reduced rate of withholding tax and, in certain circumstances, certain other benefits, under conditions provided for in the relevant treaty under French law.

## 11.5 - LEGAL PROCEEDINGS AND ARBITRATION

In October 2003, legal proceedings were initiated against one of the Group's US subsidiaries and two of its main US competitors on the grounds that one of the products sold by these companies – a so-called instant fitting – was dangerous to users and should be withdrawn from sale in the United States, and production halted. This claim, which the Group judged groundless, was subsequently abandoned by the claimants.

With respect to environmental matters, and mainly because of past operations and the operations of predecessor companies, the Group is a party to various lawsuits and claims that are common to companies in the manufacturing sector, including claims relating to groundwater and soil contamination due to the disposal and release of hazardous substances and waste. For example, Sute SAS, one of the Group's French subsidiaries based in Pont-à-Mousson, is currently a party to an action relating to the discovery of hydrocarbons and toxic substances on a site that the Group operated more than 35 years ago. The Meurthe et Moselle prefecture has required Legrand to take necessary actions to decontaminate the site. In addition, Pass & Seymour, one of the Group's United States subsidiaries, is currently a party to an action relating to the discovery of hydrocarbons on a site it operates. The Group believes that these two actions

represent a total of approximately €3 million. Provisions for the entire amount have been made in the Group's accounts. The Group does not expect the outcome of any such proceedings, either individually or in aggregate, to have a material adverse effect on its operations, financial condition or cash flows. New information or future developments, such as changes in law (or interpretation), environmental conditions or its operations, could nonetheless result in increased environmental costs and liabilities that could have a material effect on the Group's financial position or results.

Legrand is also involved in other litigation from time to time in the ordinary course of its business. The Group does not expect the outcome of such proceedings, either individually or in aggregate, to have a material adverse effect on its operations, financial position or cash flows.

The Company has no knowledge during the past 12 months of other governmental, legal or arbitration proceedings (including pending or threatened litigation and those proceedings of which the Group has knowledge) that might have or recently had a material impact on the financial position or profitability of the Company and/or the Group.

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**FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES,  
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Significant changes in financial and commercial situation

## ■ 11.6 - SIGNIFICANT CHANGES IN FINANCIAL AND COMMERCIAL SITUATION

At the date of publication of this reference document, there is no significant change in the financial or commercial situation of the Group.



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## ADDITIONAL INFORMATION

<b>12.1</b>	<b>SHARE CAPITAL</b>	<b>194</b>
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## 12.1 - SHARE CAPITAL

Unless otherwise indicated, the information presented in this chapter is dated December 31, 2008.

### 12.1.1 - Subscribed share capital and authorized but unissued share capital

At December 31, 2008, the Company's share capital amounted to €1,051,260,512, divided into 262,815,128 shares with a par value of €4.00 each.

Company shares are fully paid-up and all of the same class. The shares may be held in registered form or in bearer form, at the option of the shareholder. They may be registered on individual shareholder accounts in accordance with applicable legislation and regulations.

On May 15, 2007, the General Meeting of shareholders authorized the Company's Board of Directors to effect the capital increases summarized in the table below subject to the provision that the total nominal value of these increases may not exceed €600 million (except as they result from authorizations to allocate options for the purchase of existing shares or subscription to new shares and to allot free shares, the total of which may not exceed 5% of share capital):

Authorization	Duration of authorization and expiration date	Maximum nominal amount <i>(in € millions)</i>
Allocation of options for the purchase of existing shares or subscription to new shares	38 months July 15, 2010	5% of share capital at the grant date
Issuances with cancellation of preferential subscription rights Issuances of any form of security	26 months July 15, 2009	450 (this maximum nominal amount to be deducted from the global cap of 600)
Issuances with preferential subscription rights maintained Issuances of any form of security	26 months July 15, 2009	600 (global cap)
Increase in issuance amounts in the event of excess demand, to be effected within 30 days from the close of the subscription period	26 months July 15, 2009	Limited to 15% of initial offering (this maximum nominal amount to be deducted from the global cap of 600)
Capital increase through incorporation of share premiums, reserves, profits or other amounts	26 months July 15, 2009	100 (this maximum nominal amount to be deducted from the global cap of 600)
Reserved issuance to employees participating in a Company or Group share ownership/savings plan	26 months July 15, 2009	25 (this maximum nominal amount to be deducted from the global cap of 600)
Free allocation of new or existing shares	38 months July 15, 2010	5% of the share capital of the Company at the grant date
Issuance of shares or other securities in consideration of contributions in kind	26 months July 15, 2009	10% of the share capital of the Company at the issuance date (this maximum nominal amount to be deducted from the global cap of 600)
Determination of issue price by call on the market	26 months July 15, 2009	10% of the share capital of the Company (this maximum nominal amount to be deducted from the global cap of 600)

At their Meeting on May 26, 2009, shareholders will be asked to renew these authorizations (excepting authorizations to allocate options for the purchase of existing shares or subscription to new shares and to allot free shares), which were approved by

the Board of Directors on March 4, 2009, and the amounts of which have been changed in some cases (see draft resolutions in appendix 4 to this reference document).

## 12.1.2 - Acquisition by the Company of its own shares

### ■ 12.1.2.1 - CURRENT BUYBACK PROGRAM

#### Use of the authorization granted at the Shareholders' Meeting on May 22, 2008

On May 23, 2008, the Company established a share buyback program pursuant to the authorization described below, granted to the Board of Directors at the General Meeting of shareholders on May 22, 2008:

Transaction	Term of authorization and expiration date	Maximum amount <i>(in € millions)</i>	Maximum number of shares
Share buyback program	18 months November 22, 2009	650	10% of share capital at purchase date
Cancellation of shares purchased under the program and related capital reduction	26 months July 22, 2010		10% of share capital at the cancellation date

The Company has purchased a certain number of its shares pursuant to the buyback program and as a result held 6,745,873 shares at December 31, 2008, representing a total book value of €135,984,195 and total nominal value of €26,983,492, this being 2.6% of share capital at that date.

#### ■ DESCRIPTION OF THE CURRENT SHARE BUYBACK PROGRAM

A full description of the current share buyback program is available on the Company's web site ([www.legrandelectric.com](http://www.legrandelectric.com)).

### ■ 12.1.2.2 - NEW BUYBACK PROGRAM TO BE SUBMITTED TO SHAREHOLDERS FOR APPROVAL

The draft resolutions adopted by the Company's Board of Directors on March 4, 2009 for submission to shareholders at their General Meeting on May 26, 2009 provide for the renewal of (i) the authorization to purchase own shares referred to in section 12.1.2.1 above with upper limits of 10% of share capital, €500 million on total buybacks and €30 on the purchase price per share, and (ii) the authorization to cancel shares as described in 12.1.2.1 above, subject to the upper limit of 10% of share capital in any period of 24 months.

Draft resolutions are reproduced in Appendix 4.

## 12.1.3 - Other securities providing access to equity

At the date of registration of this reference document, there are no securities other than shares providing access to the Company's equity.

## 12.1.4 - Changes in share capital

At January 1, 2008, the share capital of the Company amounted to €1,083,902,956 represented by 270,975,739 shares with a par value of €4 each.

On March 5, 2008, the Company approved the cancellation of 9,138,395 shares in its possession (of which, 8,989,411 shares held at December 31, 2007 and 148,984 shares purchased

between January 1, 2008 and March 5, 2008). Following this cancellation, the share capital of the Company amounted to €1,047,349,376 represented by 261,837,344 shares.

On November 5, 2008, 977,784 new shares representing a total nominal amount of €3,911,136 were issued in connection with a capital increase resulting from the exercise of stock options.

At December 31, 2008, the share capital of the Company amounted to €1,051,260,512 represented by 262,815,128 shares with a par value of €4, each, all fully paid and of the same class.

Changes in share capital since the Company's incorporation are summarized in the table below:

Transactions	Date	Number of shares issued/ cancelled	Nominal amount (in €)	Issue premium (in €)	Share capital (in €)	Number of shares	Nominal value (in €)
Incorporation	22 Dec. 1998	40,000	40,000	-	40,000	40,000	1
Capital increase	8 Dec. 2002	759,310,900	759,310,900	-	759,350,900	759,350,900	1
Reverse split, increase in nominal value and decrease in number of shares	24 Feb. 2006	569,513,175	-	-	759,350,900	189,837,725	4
Capital increase by way of public offering	11 April 2006	43,689,298	174,757,192	688,106,444	934,108,092	233,527,023	4
Capital increase reserved to GP Financière New Sub 1	11 April 2006	33,862,914	135,451,656	533,340,895	1,069,559,748	267,389,937	4
Capital increase reserved to employees	2 May 2006	2,303,439	9,213,756	36,279,164*	1,078,773,504	269,693,376	4
Capital increase relating to issuance arising from the exercise of stock options	7 Nov. 2007	1,282,363	5,129,452	-	1,083,902,956	270,975,739	4
Cancellation of shares	5 March 2008	9,138,395	36,553,580	(188,280,771)	1,047,349,376	261,837,344	4
Capital increase relating to issuance arising from the exercise of stock options	5 Nov. 2008	977,784	3,911,136	-	1,051,260,512	262,815,128	4

\* The amount of the discount, i.e., €9.1 million, was accounted for as Other operational expenses in the accounts presented in accordance with IFRS.

## 12.1.5 - Pledges, guarantees and security interests

As at the date of registration of this reference document and to the best knowledge of the Company, no share of the Company has been pledged or made subject to a guarantee or a security interest.

## 12.1.6 - Number of voting rights

Attention is drawn to the fact that the provision for double voting rights described in section 12.2.3 of this reference document has applied since February 24, 2008.

At December 31, 2008, 422,978,591 voting rights were attached to the 262,815,128 shares making up the Company's share capital.

## 12.2 - ARTICLES OF INCORPORATION AND BY-LAWS

### 12.2.1 - Corporate purpose

The Company's corporate purpose, as defined in article 2, is, directly or indirectly, in all countries, as follows:

- the purchase, subscription, holding or contribution of shares or other securities in any companies;
- providing any services in connection with, *inter alia*, human resources, IT, management, communications, finance, legal affairs, marketing and purchases to its subsidiaries and companies in which it has direct or indirect interests;

- and, in general, all financial, commercial, industrial, civil, real estate or movable asset transactions directly or indirectly connected with the above objects or with any similar or connected objects, or which are likely to support directly or indirectly the purposes of the Company, its growth, its development or its corporate assets.

### 12.2.2 - Administration and management

#### 12.2.2.1 - BOARD OF DIRECTORS

##### Membership

The Company is managed by a Board of Directors made up of a minimum of three members and of a maximum of eighteen members, subject to the exception provided by law in the event of a merger.

Subject to legal exceptions, each Director must hold (in registered form) at least 500 ordinary shares of the Company while a Director of the Company.

Members of the Board are appointed to serve six-year terms, which expire at the end of the ordinary general Shareholders' Meeting that considers the accounts of the past financial year, and which is held during the year of expiry of each member's term of office. They may be reappointed for consecutive terms.

When the legal conditions are satisfied, the Board of Directors may appoint provisional members of the Board for the remaining term of office of their predecessor. In accordance with the law, provisional appointments are subject to ratification at the closest Shareholders' Meeting.

No individual exceeding the age of 70 may be appointed as a member of the Board of Directors if his/her appointment results in more than one-third of the number of members of the Board of Directors having exceeded such age. If during their term of office, the number of members of the Board of Directors having exceeded the age of 70 exceeds one-third of the total number of members of the board, the oldest member of the Board of Directors will be deemed to have resigned at the end of the general ordinary Shareholders' Meeting which considers the accounts of the past financial year, and which is held during the year in which the age limit is reached.

##### Chairman of the Board of Directors

The Board of Directors appoints from among its members a Chairman who will be an individual aged, at the time of his/her appointment, less than 65 years. When the Chairman reaches such age limit, he/she is automatically deemed to have resigned at the end of the general ordinary Shareholders' Meeting which considers accounts of the past financial year, and which is held during the year in which the age limit is reached.

The Chairman may be reelected.

The Chairman of the Board of Directors organizes and leads the work of the board, on which he/she reports to the Shareholders' Meeting. He/she monitors the proper operation of the bodies of the Company and ensures, in particular, that the members of the board are in a position to exercise their duties.

The compensation of the Chairman is determined by the Board of Directors.

The Board may appoint from among its members a Vice-Chairman who will replace the Chairman in case of unavailability of the latter. The Vice-Chairman is subject to the same age limits as the Chairman.

##### Convening of meetings of the Board of Directors

The Board of Directors may convene as often as required in the best interest of the Company.

Members of the Board of Directors are called to the meetings by the Chairman of the Board of Directors, or in case of unavailability, by the Vice-Chairman.

The Chief Executive Officer (*Directeur général*) may also call on the Chairman to convene the Board of Directors on a specific agenda.

When the Board of Directors has not met for over two months, at least one-third of the members of the Board of Directors may

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call on the Chairman to convene the Board of Directors on a specific agenda.

The Chairman is bound by the requests made under the two paragraphs above.

Subject to the provisions of the three paragraphs above, the agenda is determined by the Chairman and may also be determined, as needed, at the time of the meeting.

Notices are given by any means, including orally, with meetings convened at the registered office or in any other location indicated on the notice, in France or abroad.

### Meetings of the Board of Directors

Deliberations take place subject to the conditions of quorum and majority provided for by law. In the event of a tie, the Chairman has a casting vote.

Subject to any contrary provision of the law, the Board of Directors may provide in its internal regulations that, for the purposes of the calculation of the quorum and majority, members be deemed present if they participate by videoconference or by other means of telecommunication, provided that the means used ensure such members' identification and effective participation in the Board meeting, in accordance with the applicable regulatory provisions.

The Board of Directors may appoint a secretary of the meeting, who need not be a shareholder or a member of the Board of Directors.

### Powers of the Board of Directors

The Board of Directors determines the broad lines of the Group's business activities and ensures their implementation. Save for powers expressly reserved to the General Meeting of shareholders and within the limits resulting from the Company's corporate purpose, the Board considers all matters concerning the proper operation of the Company's businesses and settles the matters with which it is concerned by deliberative process.

The Board of Directors decides on the management structure of the Company.

The Board of Directors is competent to authorize the Chairman to grant particular security interests in connection with the issuance of bonds.

The Board of Directors may decide to establish committees to assist the Board in its work and in the preparation of its deliberations. It determines the composition and powers of the committees, which operate under its responsibility, without prejudice to the powers proper to the Board, which may in no case be delegated to such committees.

#### ■ 12.2.2.2 - GENERAL MANAGEMENT ("DIRECTION GÉNÉRALE")

##### Choice relating to exercise of executive powers

The Board of Directors decides, in accordance with the relevant provisions of Company articles, whether the general management

(*Direction générale*) is to be conducted by the Chairman of the Board of Directors or by another person appointed by the Board of Directors and bearing the title of *Directeur général* (Chief Executive Officer).

Shareholders and third parties are to be informed of this decision in accordance with applicable laws and regulations. Responsibility for the exercise of the powers of general management (*Direction générale*) can be changed at any time. The Board of Directors must consider this whenever the term of office of the Chairman or Chief Executive Officer expires.

The provisions concerning the Chief Executive Officer (*Directeur général*) set forth below also apply when general management is exercised by the Chairman of the Board of Directors.

##### Chief Executive Officer (*Directeur général*)

The Chief Executive Officer (*Directeur général*) may not be more than 65 years of age when appointed. The Chief Executive Officer is deemed to have resigned at the close of the General Meeting of shareholders held in the calendar year in which he/she reaches this age and called to consider accounts for the previous financial year.

The Chief Executive Officer is always eligible for reelection.

The Chief Executive Officer can be chosen from among the Directors or from outside their number. If the Chief Executive Officer is not a Director, he/she attends meetings of the Board of Directors in an advisory capacity, except if the Board decides otherwise by a simple majority.

If the Chief Executive Officer is temporarily prevented from exercising his/her duties, the Board of Directors may delegate the powers of Chief Executive Officer to a Director.

The Chief Executive Officer has the widest powers to act on behalf of the Company in all circumstances and regarding all matters, subject to such limitations as the Board of Directors may include in its internal regulations, which are without legal effect in relationships with third parties. These powers are to be exercised within the limits resulting from the Company's corporate purpose and the powers expressly reserved by law to Shareholders' Meetings and to the Board of Directors.

The Board of Directors determines the Chief Executive Officer's term of office and compensation. If the Chief Executive Officer is a Director, this term of office may not extend beyond his/her term of office as a Director.

##### Chief Operating Officers (*Directeurs généraux délégués*)

At the proposal of Chief Executive Officer, the Board of Directors may appoint up to five (5) Chief Operating Officers (*Directeurs généraux délégués*), who must be individuals and may be chosen from among the Directors or from outside their number.

In agreement with the Chief Executive Officer, the Board of Directors determines the scope and duration of the Chief Operating Officer's powers. These powers and their duration may not exceed those of the Chief Executive Officer. The Board of Directors determines the compensation of each Chief Operating Officer.



If the Chief Executive Officer's office terminates, Chief Operating Officer remains in office unless the Board determines otherwise and continue to exercise his or her powers until the appointment of the new Chief Executive Officer.

Chief Operating Officers are eligible for reappointment, subject to the same age limit as the Chief Executive Officer.

#### ■ 12.2.2.3 - COMMITTEES

The Board of Directors may decide to set up internal committees charged with considering the matters submitted to them by the Board of Directors or its Chairman. The Board of Directors determines the membership and scope of the committees, which exercise their duties under the Board's responsibility, without prejudice to the authority of the Board of Directors, which may in no case be delegated to such committees.

For a detailed description of the committees, readers should refer to section 8.3.1.2 of this reference document.

### 12.2.3 - Rights, privileges and restrictions attached to the shares

Shares may be traded without restriction and may be transferred from and to shareholders' accounts in accordance with applicable laws and regulations.

Subject to the applicable legal and regulatory provisions, each member of a Shareholders' Meeting is entitled to one vote per share owned or represented.

However, double voting rights are attached (in proportion to the fraction of capital held) to all shares held in registered form in the name of the same shareholder for at least two years following February 24, 2006.

In addition, in the event of a capital increase by the capitalization of reserves, profits or share premiums, those shares distributed in respect of shares with double voting rights will also benefit from double voting rights upon their issuance.

All shares held in registered form that are transferred or become held in bearer form lose double voting rights. However, transfers resulting from inheritance, the liquidation of joint property between spouses or the granting of an *inter vivos* gift for the benefit of a spouse or certain relatives do not affect the double voting rights attached to the shares and do not interrupt the vesting period for double voting rights.

The merger or breakup of the Company will not affect double voting rights, which may be exercised within the Company or companies benefiting resulting from the merger or breakup if the articles of such company or companies provide for double voting rights.

If any new shares are not fully paid up on issuance, the payment calls, at the dates determined by the Board of Directors, will be made by way of notices inserted, two weeks prior to the payment call, in one of the official gazettes (*journaux d'annonces légales*) of the location of the registered office, or sent by registered mail with acknowledgement of receipt. Each payment on a subscribed share will be recorded by an entry on the account opened under the name of the holder. All late payments will automatically bear interest in favor of the Company, starting from the date payment

was due, without formal command or application to a court, at the legal interest rate, notwithstanding the personal proceeding the Company may initiate against the failing shareholder and forced execution measures provided for by the law.

Each share accords the right to an identical share of ownership in the corporate assets, in the distribution of profits and in the liquidation premium (*boni de liquidation*), subject to the creation of preferred shares (*actions de préférence*).

The shares are indivisible with regard to the Company, which recognizes one owner for each share. The co-owners of undivided shares must be represented to the Company by a single representative. In case of dismantling, voting rights attached to shares belong to the usufructuary at ordinary meetings and to the bare owner at extraordinary meetings.

The heirs, creditors, legal beneficiaries and other representatives of a shareholder may not place liens on the property or securities of the Company, nor request the division or public sale, nor interfere in the administration of the Company.

For the proper exercise of their rights, they are to refer to the corporate records and to the decisions of the Shareholders' Meeting.

Whenever more than one share is required to exercise a particular right, in the event of a share exchange, consolidation or allotment, or as a result of an increase or reduction in share capital, or in the event of a merger or other transaction involving the share capital, shareholders who own only one share or who do not own the minimum number required have no rights against the Company; each shareholder may then at their own initiative consolidate their shares for the purpose of exercising said right, or buy or sell the requisite number of shares.

The Company monitors ownership of its shares in accordance with applicable laws. In this respect, the Company may avail itself of all legal provisions, for the identification of the holders of shares conferring immediate or future voting rights at the Company's Shareholders' Meetings.

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## 12.2.4 - Amendment of rights attached to shares

As Company articles and by-laws do not make any specific provisions, amendment of the rights attached to the shares is subject to the general provisions of law.

## 12.2.5 - Shareholders' Meetings

### ■ ATTENDANCE AT SHAREHOLDERS' MEETINGS

The rules set out below result from the articles and by-laws in force at the date of registration of this reference document.

Subject to legal and regulatory restrictions, all shareholders may attend Shareholders' Meetings and participate in deliberations, personally or through a proxy, independently of the number of shares held.

The right to participate personally or through a proxy is established by book entry of the shares in the name of the holder or the intermediary registered on the shareholder's behalf (in accordance with relevant provisions of the law) no later than at zero hour, Paris time, on the third business day preceding the General Meeting:

- in the case of registered shares on the registered accounts kept by the Company;
- in the case of bearer shares, on the bearer securities accounts kept by intermediaries empowered for this purpose in accordance with applicable regulations.

Any shareholder wishing to vote by mail or by proxy must deliver a mailing vote, proxy form, or similar single document, to the Company's registered office, or at any other address indicated on the notice convening the meeting (*avis de réunion et de convocation*), at least three days prior to the date of the meeting. The Board of Directors may, for any general meeting, set a later deadline by a decision in favor of all shareholders. Upon decision of the Board of Directors referred to in the notice (*avis de réunion et de convocation*), shareholders may, in accordance with the law, send their voting and proxy forms by any means including electronic communications. In such case, the electronic signature may take the form of a procedure satisfying the conditions defined in the first sentence of the second paragraph of article 1316-4 of the Code civil.

### ■ CONVENING OF SHAREHOLDERS' MEETINGS

Shareholders' Meetings are convened in accordance with general legal requirements. Meetings are held at the registered office or any other location, in France or abroad, indicated in the notice of meeting.

### ■ ORGANIZATION OF SHAREHOLDERS' MEETINGS

Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by the Vice-Chairman or by a Director appointed for this purpose by the Board of Directors; failing which, the meeting itself elects a Chairman.

Shareholders may, if the Board of Directors has allowed it in the notice of meeting (*avis de réunion et de convocation*), participate via videoconferencing or other means of telecommunications in accordance with applicable laws and regulations. Such shareholders are deemed present for the calculation of quorum and majority of Shareholders' Meetings.

An attendance sheet is kept for each meeting as required by law.

### ■ DECISIONS AND POWERS OF GENERAL MEETINGS

The Ordinary and Extraordinary General Meetings exercise the powers respectively assigned to them by law, and subject to legal requirements of quorum and majority requirements for each type of meetings.

## 12.2.6 - Provisions of a nature to delay, defer or prevent a change in the control of the Company

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There are no stipulations in Company articles and by-laws of a nature to delay, defer or prevent a change of control.

## 12.2.7 - Thresholds for ownership disclosures

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In addition to the general requirements of law, any individual or legal person, acting alone or in concert, coming into possession, directly or indirectly within the meaning of the law (and in particular, of article L.233-3 of the French *Code de commerce*), in any manner, of a number of shares representing two percent (2%) of the share capital or voting rights, is required to disclose to the Company the total number of shares and voting rights held (the percentage of voting rights being calculated relative to the total number of shares to which voting rights are attached, including those for which voting rights are suspended) in a notice sent by registered mail with acknowledgment of receipt to the registered office within 5 trading days from the date this threshold is exceeded, this being without regard to the date at which the shares may be registered on a shareholder account. This notice is to state the total number of shares and securities giving future access to equity and the number of related voting rights held,

directly or indirectly, singly or in concert. The downward breach of this 2% threshold is to be disclosed in the same manner.

Above this 2% threshold, disclosure must be made in the same manner for any rise or fall representing a multiple of one percent (1%) of the share capital or voting rights.

Should required disclosure not be made, voting rights on the shares in excess of the threshold for disclosure will, at the request of one or more shareholders separately or together owning at least one percent (1%) of the share capital or voting rights, as duly recorded in the minutes of the General Meeting, be suspended and the shareholder or shareholders at fault may not exercise or delegate these at any general meetings until the expiration of a two-year period following the date notification is supplied for.

## 12.2.8 - Changes to share capital

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The Company's share capital may be increased or reduced in accordance with the general provisions of law. The Extraordinary General Meeting of shareholders may also decide to carry out stock splits or reverse splits.

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## MATERIAL AGREEMENTS

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## MATERIAL AGREEMENTS

Taking into account its business, the Company has not entered into, at the date of registration of this reference document, any material agreements, other than the agreements entered into in the ordinary course of business, with the exception of the 2006 Credit Facility described in section 7.5.2.1 of this reference document.



## CONCORDANCE TABLES

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## CONCORDANCE TABLES

Concordance table – European commission regulation (EC) no. 809/2004 of April 29, 2004

### CONCORDANCE TABLE – ANNUAL FINANCIAL REPORT (ARTICLE 222-3 OF THE GENERAL REGULATIONS OF THE FRENCH “AUTORITÉ DES MARCHÉS FINANCIERS”)

General regulations of the French Autorités des marchés financiers (AMF) – Article 222-3		Annual financial report	
N°	Paragraph	Reference	Page(s)
I.1°	Annual accounts	Appendix 1	212
I.2°	Consolidated accounts prepared in accordance with Regulation (EC) 1606/2002 of July 19, 2002 on the application of international accounting standards	Chapter 11	135
I.3°	Management report containing at least the information referred to in articles L.225-100, L.255-100-3 and the second sub-paragraph of article L.225-211 of the French Commercial Code	Appendix 2	228
	Management report containing information referred to in article L.225-100-2 of the French Commercial Code	Chapter 7	67
I.4°	Statement made by the natural persons taking responsibility for the annual financial report	1.1	4
I.5°	Report of the statutory auditors on the annual accounts	Appendix 3	243
	Report of the statutory auditors on the consolidated accounts	11.2	188

### CONCORDANCE TABLE – EUROPEAN COMMISSION REGULATION (EC) NO. 809/2004 OF APRIL 29, 2004

European Commission Regulation (EC) no. 809/2004 of April 29, 2004 – Annex I		Reference document	
N°	Paragraph	Reference	Page(s)
1	Persons responsible	1.1	4
1.1	Person responsible for the information given in the reference document	1.1.1	4
1.2	Declaration by the persons responsible for reference document	1.1.2	4
2	Statutory Auditors	1.2	5
2.1	Names and addresses of the issuer's auditors	1.2.1 and 1.2.2	5
2.2	Statutory auditors having resigned, been removed or not been re-appointed during the period covered by the historical financial information	N/A	-
3	Selected financial information	2.5	14 to 17
3.1	Selected historical financial information	2.5	14 to 17
3.2	Selected financial information for interim periods	N/A	-
4	Risk factors	Chapter 3	19 to 24
5	Information about the issuer	Chapter 4	27 to 24
5.1	History and Development of the Issuer	4.1	26
5.1.1	Legal and commercial name of the issuer	4.1.1	26
5.1.2	Place of registration of the issuer and its registration number	4.1.2	26
5.1.3	Date of incorporation and the length of life of the issuer	4.1.3	26



European Commission Regulation (EC) no. 809/2004 of April 29, 2004 – Annex I		Reference document	
N°	Paragraph	Reference	Page(s)
5.1.4	Domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office	4.1.4 and 4.1.5	26
5.1.5	Important events in the development of the issuer's business	4.1.6	26
5.2	Investments	4.2 and 7.6	27-28 and 86
5.2.1	Description of the issuer's principal investments for each financial year for the period covered by the historical financial information up to the date of the registration document	4.2.1, 4.2.2 and 7.6	27-28 and 86
5.2.2	Description of the issuer's principal investments that are in progress	4.2.3	28
5.2.3	Information concerning the issuer's principal future investments on which its management bodies have already made firm commitments	4.2.4 and 7.6	28 and 86
6	Business overview	Chapter 5	33 to 52
6.1	Principal activities	5.2	43 to 52
6.1.1	Nature of the issuer's operations and its principal activities	5.2	43 to 52
6.1.2	Significant new products and/or services that have been introduced	5.2.2	44 to 45
6.2	Principal markets	5.1.2, 5.2.1	35-36 and 43
6.3	Exceptional factors that have influenced information given to items 6.1 and 6.2	N/A	-
6.4	Summary information regarding the extent to which the issuer is dependent, on patents or licences, industrial, commercial or financial contracts or new manufacturing processes	2.2.2.1, 5.1.2.1, 5.1.4.5 and 5.2.6	10, 35, 38 and 49
6.5	Basis for any statements made by the issuer regarding its competitive position	5.1.4	37 to 39
7	Organizational structure	4.3	29
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7.2	List of the issuer's significant subsidiaries	4.3.2	30-31
8	Property, plants and equipment	5.2.7	49
8.1	Information regarding any existing or planned material tangible fixed assets	5.2.7	49
8.2	Description of any environmental issues that may affect the issuer's utilisation of the tangible fixed assets	Chapter 3, 5.2.8 and Chapter 6	19,51,53
9	Operating and financial review	Chapter 7	67
9.1	Financial condition	7.3 and 7.4	69 to 78
9.2	Operating results	7.3 and 7.4	69 to 78
9.2.1	Significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations	7.3 and 7.4	69 to 78
9.2.2	Discussion of the reasons for material changes in net sales or revenues	7.3 and 7.4	69 to 78
9.2.3	Information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	Chapter 3, 5.1.5, 7.9 and 7.10	19,39, 87 88
10	Capital resources	7.5	83 to 86
10.1	Information concerning the issuer's capital resources (both short and long term)	7.5	83 to 86
10.2	Explanation of the sources and amounts of and a narrative description of the issuer's cash flows	7.5.1, 11.1.1.3	83 and 139
10.3	Information on the borrowing requirements and funding structure of the issuer	7.5.2	85
10.4	Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	7.5	83 to 86
10.5	Information regarding the anticipated sources of funds needed to fulfil commitments referred to in items 5.2.3. and 8.1.	N/A	-

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## CONCORDANCE TABLES

Concordance table – European commission regulation (EC) no. 809/2004 of April 29, 2004

European Commission Regulation (EC) no. 809/2004 of April 29, 2004 – Annex I		Reference document	
N°	Paragraph	Reference	Page(s)
11	Research and development, patents and licences	5.1.6.1.2, 5.2.3, 7.3.2.4 and 7.4.1.4	42,45,71-76
12	Trend information	7.13	89
12.1	The most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the registration document	7.13	89
12.2	Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year	N/A	-
13	Profit forecasts or estimates	N/A	-
13.1	Statement setting out the principal assumptions upon which the issuer has based its forecast or estimate	N/A	-
13.2	Report prepared by independent accountants or auditors	N/A	-
13.3	Profit forecast or estimate prepared on a basis comparable with the historical financial information	N/A	-
13.4	Statement setting out whether or not profit forecast is still correct as at the time of the registration document, and an explanation of why such forecast is no longer valid	N/A	-
14	Administrative, management, and supervisory bodies and senior management	Chapter 8	91
14.1	Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside that issuer where these are significant with respect to that issuer: a) members of the administrative, management or supervisory bodies; b) partners with unlimited liability, in the case of a limited partnership with a share capital; c) founders, if the issuer has been established for fewer than five years; and d) any senior manager who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer's business.	8.1.1	92
14.2	Administrative, Management, and Supervisory bodies and Senior Management conflicts of interests	8.1.3	94
15	Remuneration and benefits	8.2	94
15.1	The amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to persons referred to in item 14.1 by the issuer and its subsidiaries	8.2.1 to 8.2.5	94 to 100
15.2	The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits	8.2.5	100
16	Board practices	8.3	100
16.1	Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office	8.4.1 and appendix 3 to the management report	107,237 to 240
16.2	Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate negative statement	8.1.4	94
16.3	Information about the issuer's audit committee and remuneration committee	8.3.1.2.1, 8.3.1.2.2, 8.4.2	104-105, 108 and 112
16.4	Statement as to whether or not the issuer complies with its country of incorporation's corporate governance regime	8.3.1	100
17	Employees	Chapter 9	128
17.1	The number of employees at the end of the period or the average for each financial year for the period covered by the historical financial information up to the date of the registration document	9.1	120
17.2	Shareholdings and stock options	8.2.1.2, 8.2.3 and 9.2	96 and 100 120 to 125
17.3	Description of any arrangements for involving the employees in the capital of the issuer	9.4	127
18	Major shareholders	Chapter 10	129 to 134

## CONCORDANCE TABLES

Concordance table – European commission regulation (EC) no. 809/2004 of April 29, 2004

European Commission Regulation (EC) no. 809/2004 of April 29, 2004 – Annex I		Reference document	
N°	Paragraph	Reference	Page(s)
18.1	The name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer's capital or voting rights	10.1.1	130
18.2	Whether the issuer's major shareholders have different voting rights, or an appropriate negative statement	12.2.3	199
18.3	State whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control and describe the measures in place to ensure that such control is not abused	10.1.2	131
18.4	Description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	10.2	132
19	Related party transactions	10.3	134
20	Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	Chapter 11	135 to 192
20.1	Historical financial information	11.1	135 to 188
20.2	Pro forma financial information	N/A	-
20.3	Financial statements	11.1	135 to 188
20.4	Auditing of historical annual financial information	11.2	188
20.4.1	Statement that the historical financial information has been audited	11.2	188
20.4.2	Indication of other information in the registration document which has been audited by the auditors	N/A	-
20.4.3	Where financial data in the registration document is not extracted from the issuer's audited financial statements state the source of the data and state that the data is unaudited	N/A	-
20.5	Age of latest financial information	11.1	135
20.6	Interim and other financial information	N/A	-
20.6.1	Quarterly or half yearly financial information published since the date of the issuer's last audited financial statements and the related audit or review report	N/A	-
20.6.2	Interim financial information, which may be unaudited, covering at least the first six months of the financial year if the registration document is dated more than nine months after the end of the last audited financial year	N/A	-
20.7	Dividend policy	11.4	190
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20.8	Legal and arbitration proceedings	11.5	191
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21.1.2	Shares not representing capital	N/A	-
21.1.3	Number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer	12.1.2	195
21.1.4	Amount of any convertible securities, exchangeable securities or securities with warrants	9.2 and 9.3	120 and 126
21.1.5	Information about and terms of any acquisition rights and or obligations over authorised but unissued capital or an undertaking to increase the capital	N/A	-
21.1.6	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including those persons to whom such options relate	N/A	-

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## CONCORDANCE TABLES

Concordance table – European commission regulation (EC) no. 809/2004 of April 29, 2004

European Commission Regulation (EC) no. 809/2004 of April 29, 2004 – Annex I		Reference document	
N°	Paragraph	Reference	Page(s)
21.1.7	A history of share capital, highlighting information about any changes, for the period covered by the historical financial information	12.1.4	195
21.2	Memorandum and Articles of Association	12.2	197 to 201
21.2.1	Description of the issuer's objects and purposes	12.2.1	197
21.2.2	Summary of any provisions of the issuer's articles of association, statutes, charter or bylaws with respect to the members of the administrative, management and supervisory bodies	12.2.2	197-199
21.2.3	Description of the rights, preferences and restrictions attaching to each class of the existing shares	12.2.3	199
21.2.4	Description of what action is necessary to change the rights of holders of the shares, indicating where the conditions are more significant than is required by law	12.2.4	200
21.2.5	Description of the conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called including the conditions of admission	12.2.5	200
21.2.6	Brief description of any provision of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer	12.2.6	201
21.2.7	Indication of the articles of association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed.	12.2.7	201
21.2.8	Description of the conditions imposed by the memorandum and articles of association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law	12.2.8	201
22	Material contracts	Chapter 13	203
23	Third party information and statement by experts and declarations of any interest	N/A	-
23.1	Information relating to the expert having drawn up a statement or report	N/A	-
23.2	Confirmation that information sourced from a third party has been accurately reproduced and that no facts have been omitted which would render the reproduced information inaccurate or misleading	N/A	-
24	Documents on display	1.3.2	6 to 7
25	Information on holdings	4.3.2	30-31



# APPENDIX

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## APPENDIX 1

## Annual accounts for the financial year ended December 31, 2008 (Company's accounts)

### Statement of income

<i>(in € thousands)</i>	2008	2007
<b>Operating income</b>		
Revenue	20,305	17,335
Other operating income	942	656
	<b>21,247</b>	<b>17,991</b>
<b>Operating expenses</b>		
Change in goods inventory	0	0
Change in supplies inventory	0	0
Purchases and external charges	(7,422)	(7,795)
Taxes other than on income	(553)	(738)
Employee benefits expense	(10,757)	(7,196)
Amortization and provision expense	(1,284)	(2,078)
	<b>(20,016)</b>	<b>(17,807)</b>
<b>Operating profit</b>	<b>1,231</b>	<b>184</b>
<b>Financial income</b>		
Dividend income	233,352	351,924
Interest income from marketable securities and receivables, net	0	0
Net gains on disposal of non-current assets	0	0
Exchange gains	798	43,576
	<b>234,150</b>	<b>395,500</b>
<b>Financial expense</b>		
Amortization and provision expense	(42,699)	(2,279)
Exchange losses	(5)	(184)
Finance costs and other	(43,176)	(38,648)
	<b>(85,880)</b>	<b>(41,111)</b>
<b>Financial income and expense, net</b>	<b>148,270</b>	<b>354,389</b>
<b>Recurring profit before tax</b>	<b>149,501</b>	<b>354,573</b>
<b>Non-recurring income and expense, net</b>	<b>(5,882)</b>	<b>(2,863)</b>
<b>Profit before tax and employee profit-sharing</b>	<b>143,619</b>	<b>351,710</b>
Employee profit-sharing	(231)	(121)
Income tax benefit	33,582	97,539
<b>PROFIT FOR THE PERIOD</b>	<b>176,970</b>	<b>449,128</b>

## Assets – Net

<i>(in € thousands)</i>	December 31, 2008	December 31, 2007
<b>Non-current assets</b>		
Intangible assets	0	75
Property and equipment	0	0
Investments	3,812,771	4,010,105
<b>TOTAL NON-CURRENT ASSETS</b>	<b>3,812,771</b>	<b>4,010,180</b>
<b>Current assets</b>		
Inventories	0	0
Receivables	13,628	47,492
Other current assets	0	0
Marketable securities	65,605	54,465
Cash	0	59
<b>TOTAL CURRENT ASSETS</b>	<b>79,233</b>	<b>102,016</b>
<b>Accruals</b>	<b>2,105</b>	<b>3,054</b>
<b>TOTAL ASSETS</b>	<b>3,894,109</b>	<b>4,115,250</b>

## Equity and liabilities – Before appropriation of profit

	December 31, 2008	December 31, 2007
<b>Equity</b>		
Share capital	1,051,261	1,083,903
Additional paid-in capital, reserves and retained earnings	1,776,988	1,695,383
Profit for the period	176,970	449,128
Untaxed provisions and government grants	0	0
<b>TOTAL EQUITY</b>	<b>3,005,219</b>	<b>3,228,414</b>
<b>Provisions</b>	<b>6,153</b>	<b>5,061</b>
<b>Debt</b>		
Other debt	821,838	871,194
<b>TOTAL DEBT</b>	<b>821,838</b>	<b>871,194</b>
<b>Other liabilities</b>	<b>60,899</b>	<b>8,670</b>
<b>Accruals</b>	<b>0</b>	<b>1,911</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,894,109</b>	<b>4,115,250</b>



APPENDIX 1

## Cash flow statement (years ended December 31)

<i>(in € thousands)</i>	<b>2008</b>	<b>2007</b>
<b>Cash and cash equivalents at beginning of period</b> <i>(note 1.12)</i>	<b>(75)</b>	<b>(538)</b>
<b>Cash flows from operating activities</b>		
Profit for the period	176,970	449,128
<i>Adjustments to reconcile profit for the period to net cash provided by operating activities:</i>		
Amortization and provision expense	44,815	7,591
Other	(1,911)	(10,694)
<b>CASH FLOW</b>	<b>219,874</b>	<b>446,025</b>
<i>Cash flows from changes in operating assets and liabilities:</i>		
Trade and other receivables (including group relief receivables)	33,864	9,797
Trade and other payables (including group relief liabilities)	52,229	(22,267)
Other operating assets and liabilities	0	(514)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>305,967</b>	<b>433,041</b>
<b>Cash flows from investing activities</b>		
Proceeds from the sale of assets	0	0
<i>Investments:</i>		
Acquisitions of intangible assets	0	(153)
Acquisitions of investments, net	(555)	(11,178)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(555)</b>	<b>(11,331)</b>
<b>Cash flows from financing activities</b>		
Capital increases (reductions)	(220,924)	4,975
Share buybacks and transactions under the liquidity contract	144,050	(293,745)
Dividends paid	(179,241)	(133,121)
Net (decrease) increase in borrowings (including intra-group loans and borrowings)	(49,228)	644
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(305,343)</b>	<b>(421,247)</b>
<b>Net change in cash and cash equivalents</b> <i>(note 1.12)</i>	<b>69</b>	<b>463</b>
<b>Cash and cash equivalents at period-end</b> <i>(note 1.12)</i>	<b>(6)</b>	<b>(75)</b>



## Significant events of the year

None.

## Subsequent events

None.

## 1 - Summary of significant accounting policies

### 1.1 Accounting principles and policies

The financial statements have been prepared in accordance with French generally accepted accounting principles, applied consistently from one year to the next, under the historical cost convention.

### 1.2 Intangible assets

Intangible assets correspond to software, which is amortized over three years. The difference between book amortization and amortization calculated over 12 months for tax purposes is recorded in equity under "Excess tax amortization".

### 1.3 Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are stated at the lower of cost and fair value.

Fair value is determined by reference to Legrand's equity in the investee's revalued net assets, as adjusted to reflect its earnings performance and growth outlook.

### 1.4 Liquidity contract and share buybacks

Legrand shares acquired under share buyback programs are classified in accordance with recommendation 98-D released by the Urgent Issues Task Force of the French National Accounting Board (*Comité d'Urgence du Conseil National de la Comptabilité*), based on the purpose for which they were purchased. Shares acquired specifically for allocation to employees are classified as treasury shares under marketable securities and those purchased for cancellation or for any other purpose are classified as "treasury shares held for cancellation" or "treasury shares" under other investments.

Legrand shares purchased in connection with the Company's liquidity contract are also recorded as treasury shares under

other investments, and cash and short-term investments held in the liquidity account are classified as "Other long-term receivables" within other investments.

Treasury shares held for cancellation are stated at cost. Treasury shares held for other purposes are stated at the lower of cost and fair value with fair value corresponding to the average share price for the last month of the fiscal year.

A provision is recorded for shares purchased for allocation on exercise of stock options or for share grants, to cover the difference between the price of share grants and stock options granted to employees and the shares' carrying amount. This provision – which is only recorded for stock options if it is probable that the options will be exercised – is recognized on a straight-line basis over the vesting periods of the share grants or stock options concerned.

In accordance with accounting standard CNC 2008-17 dated November 6, 2008 issued by the French National Accounting Board (CNC) on November 17, 2008, the carrying amount of the shares covered by the above provision has been determined based on the fair value of Legrand shares at the date of the standard's publication, i.e. €12.73 per share.

### 1.5 Receivables and payables

Receivables and payables are stated at nominal value.

A provision for doubtful accounts is recorded when necessary, to write down receivables to their estimated recoverable amount.

### 1.6 Foreign currency receivables and payables

Foreign currency receivables and payables are converted into euros at the exchange rate on the balance sheet date.

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### 1.7 Deferred charges

Deferred charges correspond to debt issuance costs which are written off to the income statement over the life of the debt.

### 1.8 Provisions for retirement benefits and supplementary pension benefits in France

Legrand employees receive a statutory length-of-service award on retirement, calculated at the rates specified in the collective bargaining agreements applicable to the electrical manufacturing industry.

The related defined benefit obligation is calculated each year by the projected unit credit method. This method takes into account estimated years of service at retirement, final salaries, life expectancy and staff turnover, based on actuarial assumptions.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of investment grade corporate bonds denominated in euros that have terms to maturity approximating the period to payment of the related benefit liability.

The liability recognized in the balance sheet is the present value of the defined benefit obligation at the balance sheet date, as adjusted for unrecognized past service costs, less the fair value of plan assets. Service cost is recognized in the income statement on a straight-line basis over the average remaining service lives of employees.

The defined benefit obligation is partly funded by contributions to an insured plan. Legrand has not made any additional payments to the plan since 2002.

Employees in the higher pay brackets are also covered by a supplementary pension plan. The plan provides for the payment of defined benefits corresponding to the theoretical pension rights of the employees concerned on the portion of their salary that exceeds a certain level (the "tranche D" used to calculate graduated Social Security contributions, capped at an amount equivalent to four times the ceiling used for the calculation of social security benefits) assuming that they are still on the Company's payroll at retirement.

A provision is booked for the difference between the projected benefits payable to plan participants and the discounted present value of payments made to date.

### 1.9 Provisions for statutory and discretionary profit-sharing

Legrand's statutory profit-sharing agreement is an "*accord dérogatoire*". Under this type of agreement, the Company applies a more generous profit-sharing formula in exchange for the right to record a tax-deductible "investment provision" covering future investment costs. The latest agreement was signed in 2006 and applies for the calculation of the special statutory profit-sharing reserve for the years 2006 to 2010. The plan covers employees of Legrand and also those of Legrand France, Legrand SNC, Groupe Arnould, Baco, Serd, Cofrel, Inovac, Sute, Sarlam, Ura, Planet-Wattohm, Distrasa and ICM Group.

A discretionary profit-sharing agreement is also in place, currently covering the years 2006 to 2008. It applies to employees of the same companies as the statutory profit-sharing agreement.

### 1.10 Forward purchases and sales of foreign currencies

A provision is booked at each year-end for the difference between the forward purchase or sale price of the foreign currencies and their exchange rate at the balance sheet date, when this is an unrealized loss. Unrealized gains are not recognized in the accounts, but are added back to profit for tax purposes.

### 1.11 Marketable securities

This item includes Legrand shares purchased for allocation to employees as described in 1.4 above.

### 1.12 Cash flow statement

In the cash flow statement, which is presented after the balance sheet in these financial statements, cash and cash equivalents includes all financial assets and liabilities that are realizable or payable within three months.

## 2 - Notes to the balance sheet

### 2.1 Intangible assets

<i>(in € thousands)</i>	December 31, 2007	Additions/ Amortization for the period	Disposals	December 31, 2008
<b>Software at cost</b>	479	0	0	479
<b>Amortization of software</b>	(404)	(75)	0	(479)
<b>INTANGIBLE ASSETS, NET</b>	<b>75</b>	<b>(75)</b>	<b>0</b>	<b>0</b>

### 2.2 Investment

<i>(in € thousands)</i>	December 31, 2007	Additions	Disposals	December 31, 2008
<b>Shares in subsidiaries and affiliates</b>				
Legrand France SA	3,773,104	555	0	3,773,659
	<b>3,773,104</b>	<b>555</b>	<b>0</b>	<b>3,773,659</b>
<b>Other investments</b>				
■ treasury shares held for cancellation	221,587	3,247	(224,834)	0
■ other treasury shares	2,719	23,339	0	26,058
■ other long-term receivables	12,695	1,016	0	13,711
	<b>237,001</b>	<b>27,602</b>	<b>(224,834)</b>	<b>39,769</b>
<b>Provisions for impairment</b>				
■ impairment of other treasury shares	0	(657)	0	(657)
	<b>0</b>	<b>(657)</b>	<b>0</b>	<b>(657)</b>
<b>TOTAL INVESTMENTS</b>	<b>4,010,105</b>	<b>27,500</b>	<b>(224,834)</b>	<b>3,812,771</b>

#### a) Shares in subsidiaries and affiliates

The increase in this item reflects purchases of Legrand France shares from Group employees that were acquired upon exercise of stock options during the year. No impairment provision has been recorded in relation to these shares.

#### b) Other investments

As of December 31, 2008 "Other investments" included (i) shares purchased under the liquidity contract that was entered into between the Group and a financial institution on May 29, 2007 for the purpose of maintaining a liquid market for Legrand's ordinary shares on the Eurolist by Euronext™ Paris market and which complies with the AFEI Code of Conduct approved by the AMF on March 22, 2005; and (ii) cash and short-term investments held in the liquidity account (see note 1.4).

As of December 31, 2008, €45 million had been allocated to the liquidity account and Legrand held 1,861,000 treasury shares

in connection with the liquidity contract, valued at €26,057,773. A €657,728 provision for impairment in value of these shares was recorded in the 2008 financial statements. Cash and short-term investments held in the liquidity account amounted to €13,711,783 as of December 31, 2008, recorded under "Other long-term receivables".

As of December 31, 2007, "Other investments" included (i) 116,423 shares purchased in connection with the liquidity contract at a cost of €2,719,010 and €12,695,323 worth of cash and short-term investments; and (ii) 8,989,411 treasury shares purchased for cancellation, representing €221,587,489. The cancellation of both these shares and those acquired in early 2008 resulted in a capital reduction representing 9,138,395 shares or €36,553,580 (see note 2.6 a)).

Details of shares purchased for allocation to employees are provided in note 2.4 on marketable securities.

## APPENDIX 1

### 2.3 Receivables

<i>(in € thousands)</i>	Net as of December 31, 2008	Maturities	
		Within one year	Beyond one year
<b>Current receivables</b>			
Trade accounts receivable	4,328	4,328	0
Recoverable value-added tax	372	372	0
Prepaid and recoverable taxes	4,321	4,321	0
Group relief receivables	4,605	4,605	0
Other receivables	2	2	0
	<b>13,628</b>	<b>13,628</b>	<b>0</b>
<b>TOTAL AS OF DECEMBER 31, 2008</b>	<b>13,628</b>	<b>13,628</b>	<b>0</b>
<b>TOTAL AS OF DECEMBER 31, 2007</b>	<b>47,492</b>	<b>47,492</b>	<b>0</b>

### 2.4 Marketable securities

In 2008 and 2007 this item exclusively comprised Legrand shares purchased for allocation to employees.

<i>(in € thousands)</i>	December 31, 2008				December 31, 2007
	Cost	Impairment	Net	Provision	Net
<b>Treasury shares held for allocation to employees</b>					
2007 Plan	53,106	(24,442)	28,664	(2,752)	52,555
2008 Plan	54,826	(18,977)	35,849	(2,153)	0
Corporate mutual fund	1,994	(902)	1,092	0	1,910
<b>TOTAL CARRYING AMOUNT</b>	<b>109,926</b>	<b>(44,321)</b>	<b>65,605</b>	<b>(4,905)</b>	<b>54,465</b>

Details of the objectives and terms of Legrand's current share buyback program – which represents a maximum of €650 million – are provided in the program description published on May 23, 2008.

As of December 31, 2008, the Company held 4,884,873 shares purchased under share buyback programs, acquired at a total cost of €109,926,422. These shares are being held for the following purposes:

- for allocation to employees who choose to re-invest their profit-shares in Legrand stock through a corporate mutual fund (80,000 shares purchased at a cost of €1,993,600);
- for allocation upon exercise of stock options (4,804,873 shares purchased at a cost of €107,932,822).

Out of this total, 2,134,816 and 2,670,057 shares have been allocated to the 2007 and 2008 stock option and share grant plans respectively. The average per-share purchase price for these shares was €24.88 for the 2007 plan and €20.53 for the 2008 plan.

The provision for impairment of treasury shares breaks down as follows:

- a provision for impairment of shares allocated to share grant plans, in order to write down the shares to a fair value of €12.73 per share, corresponding to the average share price from November 1, 2008 through November 17, 2008 – the publication date of CNC standard 2008-17. The value of these shares is now fixed until they are no longer held in the Company's portfolio;
- a provision for impairment of other treasury shares held for allocation to employees, in order to write down the shares to a fair value of €13.65.

In accordance with the principle described in note 1.4, a provision has been recognized for treasury shares purchased for allocation under the 2007 and 2008 share grant plans. The amount of this provision – which is being recognized on a straight-line basis over the vesting period of the share grants concerned – was calculated based on the carrying amount of treasury shares held as defined above and came to €4.9 million as of December 31, 2008.

## 2.5 Accruals

<i>(in € thousands)</i>	December 31, 2008	December 31, 2007
Prepaid expenses	27	27
Deferred charges <i>(note 1.7)</i>	2,078	3,027
<b>TOTAL</b>	<b>2,105</b>	<b>3,054</b>

## 2.6 Equity

### a) Share capital

The following table shows changes in share capital in 2008:

	Number of shares	Par value	Share capital <i>(in euros)</i>
As of December 31, 2007	270,975,739	4	1,083,902,956
Issuance of shares on exercise of options under the 2003 stock option plan	639,003	4	2,556,012
Issuance of shares on exercise of options under the 2004 stock option plan	338,781	4	1,355,124
Cancellation of treasury shares	(9,138,395)	4	(36,553,580)
As of December 31, 2008	262,815,128	4	1,051,260,512

Share capital consists exclusively of ordinary shares. On February 24, 2006, the par value of the shares was increased to €4.

The shares purchased by the Company either under share buyback programs or in connection with the liquidity contract do not carry dividend or voting rights.

On March 5, 2008 the Board of Directors approved the cancellation of 9,138,395 shares acquired under share buyback programs (of which 8,989,411 shares held as of December 31, 2007 and 148,984 shares bought back between January 1 and March 5,

2008). The €188,280,771 difference between the purchase price of the cancelled shares and their par value was deducted from the additional paid-in capital account.

Since February 24, 2006, all fully paid-up shares registered in the name of the same shareholder for at least two years have carried double voting rights.

In 2008, 977,784 shares were issued upon exercise of stock options granted under the 2003 and 2004 plans (see note 2.6 d)), resulting in a €3,911,136 capital increase.

### b) Additional paid-in capital, reserves and retained earnings

<i>(in € thousands)</i>	December 31, 2008	December 31, 2007
Before appropriation of profit		
Additional paid-in capital	1,060,383	1,248,664
IPO costs charged to additional paid-in capital	(33,206)	(33,206)
Legal reserve	58,637	36,181
Other reserves and retained earnings	691,174	443,744
Profit for the period	176,970	449,128
	<b>1,953,958</b>	<b>2,144,511</b>

“Other reserves and retained earnings” includes €136 million in reserves that are unavailable as a result of share buybacks.

## APPENDIX 1

### c) Changes in equity

<i>(in € thousands)</i>	
Equity as of December 31, 2007	3,228,414
Movements for the year:	
■ share capital	(32,642)
■ additional paid-in capital	(188,282)
■ reserves and retained earnings	0
■ profit for the period	176,970
■ dividends paid	(179,241)
■ other	0
<b>Equity as of December 31, 2008 before appropriation of profit</b>	<b>3,005,219</b>

On May 22, 2008, the Annual Shareholders' Meeting approved the payment of a total dividend of €179,241,037, representing €0.70 per share.

### d) Stock option plans and share grant plans

#### 2003, 2004 and 2005 stock option plans

The Company has set up a stock option plan under which stock options may be granted to purchase a specified number of newly-issued ordinary shares of the Company at an initial exercise price of €1.00 per share for options granted in 2003 and 2004,

and €1.40 per share for options granted in 2005. At the General Meeting of February 24, 2006, shareholders decided to carry out a 1-for-4 reverse stock-split, leading to an increase in the shares' par value from €1 to €4. To take into account the effects of this change, the option exercise price was increased to €4 for options granted in 2003 and 2004 and to €5.60 for those granted in 2005.

The exercise price of the options was set based on the Company's market value as determined by an independent valuer at the option grant date.

Stock option plans	2003 Plan	2004 Plan	2005 Plan	Total
Grant date	June 6, 2003	January 30, 2004	February 7, 2005	
Total number of options granted	1,924,530	508,250	173,750	2,606,530
<i>Of which options granted to corporate officers</i>	0	0	0	0
	<ul style="list-style-type: none"> <li>■ Two-thirds of the options in the 60 days following the fourth anniversary of the grant date</li> <li>■ One-third of the options in the 60 days following the fifth anniversary of the grant date.</li> </ul>			
Exercise period				
Start of exercise period for two-thirds of the options	June 6, 2007	January 30, 2008	February 7, 2009	
Start of exercise period for one-third of the options	June 6, 2008	January 30, 2009	February 7, 2010	
Exercise price	€4	€4	€5.60	
Options exercised in 2007	(1,282,363)	0	0	(1,282,363)
Options forfeited in 2007	(496)	0	0	(496)
<b>Stock options outstanding as of December 31, 2007</b>	<b>641,671</b>	<b>508,250</b>	<b>173,750</b>	<b>1,323,671</b>
Options exercised in 2008	(639,003)	(338,781)	0	(977,784)
Options forfeited in 2008	(2,668)	(1,667)	0	(4,335)
<b>Stock options outstanding as of December 31, 2008</b>	<b>0</b>	<b>167,802</b>	<b>173,750</b>	<b>341,552</b>

A total of 283,635 options will become exercisable in 2009 and 57,917 in 2010.

The 2003 plan expired on August 5, 2008.

## 2007 and 2008 share grant and stock option plans

### Share grant plans

The Shareholders' Meeting of May 15, 2007 authorized the Company's Board of Directors to grant shares representing up

to 5% of the Company's capital (including shares to be issued upon exercise of stock options) to certain employees or officers of the Company and its subsidiaries.

Share grant plans	2007 Plan	2008 Plan	Total
Grant date	May 15, 2007	March 5, 2008	
Total number of shares granted	533,494	654,058	1,187,552
<i>Of which shares granted to corporate officers</i>			
<i>Gilles Schnepf</i>	13,582	24,194	37,776
<i>Olivier Bazil</i>	12,845	22,883	35,728
Vesting conditions	After a maximum of 4 years, except in the event of resignation or termination for willful misconduct		
Share grants forfeited in 2007	(8,695)	N/A	(8,695)
Share grants vested in 2008	(546)	(0)	(546)
Share grants forfeited in 2008	(8,298)	(6,145)	(14,443)
<b>Share grants outstanding as of December 31, 2008</b>	<b>515,955</b>	<b>647,913</b>	<b>1,163,868</b>
Of which shares whose lock-up period terminated in 2008	341	400	741

### Stock option plans

The Shareholders' Meeting of May 15, 2007 authorized the Company's Board of Directors to grant stock options representing up to 5% of the Company's capital to certain employees or officers of the Company and its subsidiaries.

The exercise price of these options was set based on the average closing price for Legrand shares over the twenty trading days preceding the grant date.

Stock option plans	2007 Plan	2008 Plan	Total
Grant date	May 15, 2007	March 5, 2008	
Total number of options granted	1,638,137	2,015,239	3,653,376
<i>Of which options granted to corporate officers</i>			
<i>Gilles Schnepf</i>	40,745	72,583	113,328
<i>Olivier Bazil</i>	38,536	68,648	107,184
Exercise period	Options vest after a maximum of 4 years, except in the event of resignation or termination for willful misconduct		
Start of exercise period	May 16, 2011	March 6, 2012	
Expiry of exercise period	May 15, 2017	March 5, 2018	
Exercise price	€25.20	€20.58	
Options forfeited in 2007	(27,574)	N/A	(27,574)
Options forfeited in 2008	(27,468)	(20,439)	(47,907)
<b>Stock options outstanding as of December 31, 2008</b>	<b>1,583,095</b>	<b>1,994,800</b>	<b>3,577,895</b>
Of which options that vested in 2008	1,023	1,200	2,223

## 2.7 Provisions

<i>(in € thousands)</i>	Amount as of December 31, 2007	Charges	Reversals	Amount as of December 31, 2008
<b>Untaxed provisions</b>				
Excess tax amortization	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Provisions</b>				
Provisions for pensions and other post-retirement benefit obligations	1,674	201	(836)	1,039
Other provisions	3,387	3,997	(2,270)	5,114
	<b>5,061</b>	<b>4,198</b>	<b>(3,106)</b>	<b>6,153</b>
<b>Provisions for impairment</b>				
On investments	0	657	0	657
On marketable securities <i>(note 2.4)</i>	2,279	42,042	0	44,321
	<b>2,279</b>	<b>42,699</b>	<b>0</b>	<b>44,978</b>
<b>TOTAL</b>	<b>7,340</b>	<b>46,897</b>	<b>(3,106)</b>	<b>51,131</b>
Charges to and reversals from provisions are recorded under the following income statement captions:				
■ operating income and expense		260	(843)	
■ financial income and expense		42,699	0	
■ non-recurring income and expense		3,938	(2,263)	
<b>TOTAL</b>		<b>46,897</b>	<b>(3,106)</b>	

“Other provisions” primarily includes the €4.9 million provision for treasury shares allocated to the 2007 and 2008 share grant plans as described in note 2.4.

The €1.5 million net addition to this provision for the period has been classified under employee benefits expense by way of a non-recurring expense transfer account.



## 2.8 Debt and other liabilities

(in € thousands)	Net as of December 31, 2008	Maturities		
		Due within one year	Due in one to five years	Due beyond five years
<b>Debt</b>				
Bank borrowings with:				
■ Original maturities of less than two years	6	6	0	0
■ Original maturities of more than two years	585,733	733	585,000	0
Other borrowings	236,099	2,378	233,721	0
<b>TOTAL DEBT</b>	<b>821,838</b>	<b>3,117</b>	<b>818,721</b>	<b>0</b>
<b>Other liabilities</b>				
Trade payables	2,291	2,291	0	0
Accrued taxes and employee benefits expense	4,656	4,656	0	0
Other	53,952	53,952	0	0
Deferred revenue	0	0	0	0
<b>TOTAL OTHER LIABILITIES</b>	<b>60,899</b>	<b>60,899</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES AS OF DECEMBER 31, 2008</b>	<b>882,737</b>	<b>64,016</b>	<b>818,721</b>	<b>0</b>
<b>TOTAL LIABILITIES AS OF DECEMBER 31, 2007</b>	<b>879,864</b>	<b>12,914</b>	<b>646,950</b>	<b>220,000</b>

### a) 2006 Credit Facility

On January 10, 2006, the Company signed a new credit facility representing €2.2 billion – the 2006 Credit Facility – with five mandated arrangements.

The 2006 Credit Facility comprised (i) a €700 million Tranche A representing a multicurrency term loan repayable in semi-annual installments equal to 10% of the nominal amount between January 10, 2007 and July 10, 2010, with a final 20% installment due on January 10, 2011, (ii) a €1.2 billion Tranche B consisting of a revolving multicurrency facility utilizable through drawdowns and (iii) a €300 million Tranche C multicurrency facility repayable upon the Company's flotation on the stock market. Tranches A and B were originally five-year loans that could be rolled over for two successive one-year periods. Tranche C was a 364-day loan, which was repaid in full in April 2006 following the IPO.

Legrand exercised its option to extend the Credit Facility by a one-year period on March 12, 2007 and again on November 12, 2007. As a result the Facility now expires on January 10, 2013 and the repayment schedule has been revised accordingly. The maturities set out in the above table take into account this revised repayment schedule.

In February 2006, the Company borrowed €365 million under Tranche A of the 2006 Credit Facility reported under borrowings as of December 31, 2008. Between September 2006 and February 2008 the nominal amount of the debt was converted into a dollar-denominated portion (equivalent to €300 million at the drawdown date) and a euro-denominated portion (€65 million).

### b) Bank borrowings

On May 21, 2007, Legrand obtained a €220 million loan from a pool of French banks. The loan is for a period of 6 years and 4 months, expiring September 21, 2013, and bears interest at the 3-month Euribor plus 45 bps.

On October 16, 2008 Legrand obtained a €50 million credit facility from a French bank. Its original term is one year, expiring on October 15, 2009, but it can be extended by a further 364 days. Drawdowns under the facility – which may be made jointly by Legrand and its subsidiary Legrand France – bear interest at the 3-month Euribor plus 75 bps per year. No drawdowns were made under this facility in 2008.

### c) Related party debt

The Company's debt includes a €236.1 million revolving line of credit with Legrand France. This five-year facility was originally obtained on July 5, 2004. It bears interest at Euribor plus 40 bps and is repayable at any time without penalty.

**d) Other liabilities consist mainly of the €53.8 million due to subsidiaries under the group relief agreement.**

## 2.9 Accruals

As of December 31, 2007, accruals included a €1.9 million unrealized exchange gain on dollar-denominated debt.

### 3 - Notes to the statement of income

#### 3.1 Financial income and expense, net

##### a) Dividends

On June 28, 2008, the Company received €233,352,000 in dividends from Legrand France.

##### b) Exchange gains

Exchange gains arose primarily on conversion of the dollar portion of the 2006 Credit Facility (see note 2.8 a).

#### 3.2 Non-recurring income and expense, net

<i>(in € thousands)</i>	2008	2007
<b>Non-recurring income</b>		
Revenue transactions	0	0
Capital transactions	1,215	887
Provision reversals and expense transfers <i>(note 2.7)</i>	3,805	99
	<b>5,020</b>	<b>986</b>
<b>Non-recurring expenses</b>		
Revenue transactions	0	(2)
Capital transactions	(6,964)	(467)
Amortization and provision expense <i>(note 2.7)</i>	(3,938)	(3,380)
	<b>(10,902)</b>	<b>(3,849)</b>
<b>Non-recurring income and expense, net</b>	<b>(5,882)</b>	<b>(2,863)</b>

Non-recurring income and expenses on capital transactions correspond to income and expenses generated on sales and purchases of treasury shares carried out in connection with the liquidity contract.

## 4 - Other information

### 4.1 Income tax

#### a) Unrecognized deferred tax assets and liabilities

<i>(in € thousands)</i>	Base: income or (expense)			Unrecognized deferred tax benefit (charge)*			
	December 31, 2007	Increase	Decrease	Movements for the period			December 31, 2008
				December 31, 2008	December 31, 2007	Change	December 31, 2008
<b>Timing differences between the recognition of income and expenses for financial reporting and tax purposes:</b>							
<b>Income taxed in current year not recognized in the income statement</b>							
■ Unrealized exchange gains	1,911	0	(1,911)	0	(658)	658	0
<b>Expenses recognized in the income statement deductible in future years</b>							
■ Employee profit-sharing	(121)	0	(34)	(155)	42	12	53
■ Pension and other post-retirement benefit costs	(1,668)	635	0	(1,033)	574	(219)	356
■ Taxes and other	3,409	0	(50)	3,359	(1,174)	17	(1,157)
<b>TOTAL</b>	<b>3,531</b>	<b>635</b>	<b>(1,995)</b>	<b>2,171</b>	<b>(1,216)</b>	<b>468</b>	<b>(747)</b>

\* Calculated by the liability method, based on the standard French tax rate and the 3.3% contribution sociale surtax.

The tax rate used is the rate applicable since 2006.

#### b) Group relief

The Company is the parent of the tax group comprising all qualifying French subsidiaries of the Legrand Group. The tax group was set up on January 1, 2003. Under the terms of the group relief agreement, each subsidiary calculates its income tax expense on a stand-alone basis and pays the tax due to the

parent company of the group, which is responsible for paying tax for the entire tax group.

Income tax in Legrand's statement of income corresponds to the difference between the tax due by the profitable companies in the tax group and the benefit arising from the use of the tax losses of loss-making companies.

## 4.2 Related party transactions

<i>(in € thousands)</i>	2008		2007	
	Related party transactions	Total in the financial statements	Related party transactions	Total in the financial statements
<b>a) Investments</b>	<b>3,773,659</b>	<b>3,812,771</b>	<b>3,773,104</b>	<b>4,010,105</b>
<b>b) Inventories</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>c) Receivables</b>				
Trade receivables	4,328	4,328	6,733	6,739
Other receivables	4,605	9,300	31,966	40,753
	8,933	13,628	38,699	47,492
<b>d) Liabilities</b>				
Debt	236,099	821,838	287,071	871,194
Trade payables	317	2,291	873	2,563
Other liabilities	53,788	58,608	1,410	6,107
	<b>290,204</b>	<b>882,737</b>	<b>289,354</b>	<b>879,864</b>
<b>e) Financial expense</b>	<b>13,728</b>	<b>85,880</b>	<b>12,476</b>	<b>41,111</b>
<b>f) Financial income</b>	<b>233,352</b>	<b>234,150</b>	<b>351,924</b>	<b>395,500</b>

## 4.3 Market risks (interest rate, currency and credit risks)

### a) Management of financial risks

The Group's cash management strategy is based on overall risk management principles and involves taking specific measures to manage the risks associated with interest rates, exchange rates, commodity prices and the investment of available cash. The Group does not conduct any trading in financial instruments, in line with its policy of not carrying out any speculative transactions. All transactions involving financial instruments are conducted with the sole purpose of managing interest rate, exchange rate and commodity risks.

Market risk is the risk of losses resulting from unfavorable changes in interest rates and exchange rates.

As of December 31, 2008 no hedges were set up at the level of the Company.

### b) Concentration of credit risk

The Group's financial derivatives contracts are held with major financial institutions that can reasonably be expected to comply with the terms of the agreements, thereby mitigating the credit risk from the transactions. Legrand monitors its level of exposure with each financial institution concerned on an ongoing basis.

### c) Liquidity risk

Legrand considers that managing liquidity risk depends primarily on having access to diversified sources of financing. This represents the basis of Group-level control processes.

## 4.4 Contingencies and commitments

In January 2006, Legrand was a signatory of a refinancing agreement between its direct and indirect subsidiaries and its banks (see note 2.8 a). Legrand has guaranteed the proper execution of the agreement.

#### 4.5 Employees

	2008	2007
<b>Average number of employees:</b>		
Management	42	35
Administrative staff	8	8
Apprentices	1	2
<b>TOTAL</b>	<b>51</b>	<b>45</b>

#### 4.6 Management compensation

Compensation paid to Executive Directors for 2008 amounted to €2.3 million, compared with €1.8 million in 2007. Compensation due related to 2008 to Executive Directors amounted to €1.8 million, compared with €2.2 million to 2007.

#### 4.7 Statutory auditors' fees

(Disclosure made pursuant to French Governmental Decree 208-1487 dated December 30, 2008).

Fees invoiced by the Company's Statutory Auditors for 2008 totaled €402,330 for the statutory audit of the Company's accounts and €342,031 for audit-related work.

#### 4.8 Subsidiaries and affiliates

	Share capital		Reserves and retained earnings	Percent interest	Carrying amount of the shares		Out-standing loans	Guarantees given	2008 revenue	2008 profit (loss)	Dividends paid by Legrand France in 2008	Dividends received by Legrand France in 2008
	(in € thousands)	Currency			Euros	Cost						
<b>French companies</b>												
Legrand France	EUR	54,913	306,863	100	3,773,659	3,773,659	0	0	857,956	129,896	233,352	118,809

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## APPENDIX 2

# Management Report of the Board of Directors on February 10, 2009 to the Annual General Meeting on May 26, 2009

### ■ 1 - BUSINESS IN THE YEAR ENDED DECEMBER 31, 2007

#### 1.1 Highlights of the year

In the period to December 31, 2007, 8,989,411 shares were acquired under share-buyback programs for the purpose of their cancellation. In the period from January 1 to March 5, 2008, the Company acquired an additional 148,984 shares. At its meeting on March 5, 2008, the Board of Directors decided to cancel these treasury shares, the total number of which was 9,138,395. Capital was reduced by €36,553,580 and the difference between the purchase price of the shares and their nominal value, representing an amount of €188,280,771, was deducted from issue premiums.

An additional 2,605,419 shares were acquired under buyback programs in 2008 and allocated to plans for options to purchase and subscribe to shares, and to free share allotments adopted by the Board of Directors on March 5, 2008.

On May 29, 2007 Legrand contracted with a financial institution to act as liquidity provider for its ordinary shares listed on Euronext Paris, this being in accordance with the code of ethics issued by AFEL, the association of French financial institutions, and approved by market supervisor AMF on March 22, 2005. At December 31, 2008, a sum of €45 million was appropriated to the liquidity account. At the same date, the Company held 1,861,000 own shares with a gross book value of €26,057,773 in connection with the liquidity contract, together with short-term placements and cash totaling €13,711,783.

On October 16, 2008, the Company took out a credit line for an amount of €50 million with French bank. This credit line is for a period of one year expiring on October 15, 2009 with a possible extension for a further 364 days. Interest is charged at a variable rate of 75 basis points above the 3-month Euribor. This credit line may be used by the Company or Legrand France, its subsidiary. In the course of 2008 and at December 31, 2008 there were no drawings on this credit line.

#### 1.2 Revenues and earnings in 2008

Revenues for 2008 amounted to €20.3 million, the bulk of which was made up of supply of services within the Group. Other income mainly concerned recoveries of provisions relating in particular to retirement liabilities.

Operating expense amounted to €20 million in the year to December 31, 2008, compared with €17.8 million in the year to December 31, 2007.

Charges for staff compensation rose €3.5 million in the year. Pursuant to the decision no. 2008-17 dated November 6, 2008 of France's national accounting council (*Conseil National de la Comptabilité*), €1.5 million of this charge relates to a provision for the future cost of the free share allotments voted on in 2007 and 2008. This provision is calculated on the basis of the net book value of Legrand shares acquired under buyback programs spread over the related vesting period for employees.

Net operating income for the year to December 31, 2008 came to €1.2 million compared to €0.2 million in the previous year.

Net interest and other financial items for 2008 represented income amounting to €148.3 million compared with €354.4 million in the year to December 31, 2007. This variation resulted from:

- a decline in the amount of dividends received from Legrand France SA from €351.9 million in 2007 to €233.4 million in 2008;
- a decline of €42.7 million in foreign-exchange gains;
- impairment of own shares in an amount of €42.7 million at December 31, 2008 compared with €2.3 million in 2007, reflecting the change in market prices;
- a €4.5 million rise in loan charges.

Net exceptional items represented a charge of €5.9 million in the year to December 31, 2008 compared with a charge of €2.9 million in 2007. The charge for 2008 mainly resulted from a loss of €5.8 million on purchases of own shares in connection with the liquidity contract.

Employee profit-sharing amounted to €0.2 million.

Tax income booked in an amount of €33.6 million represents the surplus of tax paid by subsidiaries within the tax consolidation group.

Net income for the year to December 31, 2008 amounted to €177.0 million.

#### 1.3 Debt

The Company's debt position is summarized in Appendix 1.

#### 1.4 Management of financial risk

Financial risk management at Legrand mainly concerns the major areas of market risk, credit risk and liquidity risk.

The general aim of treasury policies is to identify, evaluate and cover financial risk. Legrand's goal is to minimize the adverse impact of financial risk on the profitability of underlying business and thus on the Company's financial performance.

Risks and the related policies of the Legrand Group are described in note 23 to the consolidated financial statements.

At Company level (Legrand SA), credit contracts are at variable rates defined by a margin above the benchmark rate for the currency concerned. At December 31, 2008, the Company was not directly party to any specific cover arrangement. Appropriate cover is generally taken out through Legrand France.

Sales growth at constant scope of consolidation and exchange rates broke down as follows by geographical region:

	2008/2007	4 <sup>th</sup> quarter 2008/4 <sup>th</sup> quarter 2007
France	(1.0)%	(5.4)%
Italy	(0.7)%	(6.0)%
Rest of Europe	(2.2)%	(9.6)%
USA / Canada	(5.1)%	(10.7)%
Rest of the World	+7.3%	(1.5)%
<b>TOTAL</b>	<b>(0.1)%</b>	<b>(6.3)%</b>

- **France:** Sales declined 1%, reflecting a general market slowdown. Some sectors nonetheless made good progress, among them Voice-Data-Image solutions, cable management, the Céliane range of wiring devices and power distribution.
- **Italy:** Sales decreased 0.7% against a backdrop of deterioration in the residential market and slackening trends in the commercial sector. Trends remained positive for wire-mesh cable management and transformers, as well as for top-end Axolute wiring devices and *My Home* home automation solutions.
- **Rest of Europe:** Growth on some western European markets, including Belgium and the Netherlands, as well as in Poland, Romania and Russia to the east, did not offset declines in other countries, particularly Spain, Portugal and the UK. Overall, sales showed a decline of 2.2%.
- **United States and Canada:** Sales held on a strong track for Watt Stopper, market leader for energy-efficient lighting controls, and for cable-management specialists PW Industries and Cablofil. The residential market nonetheless remained on a steep downward slope, leading to an overall decline of 5.1% in sales for the year.
- **Rest of the World:** Sales pace remained brisk over 2008 as a whole, showing a rise of 7.3%. Growth topped 10% on markets including Latin America, where Brazil and Chile stood out; in Africa and the Middle East, with particularly good showings in Egypt; and India in Asia. In the fourth quarter, these favorable

## 1.5 Business of subsidiaries

### Sales

Published data set sales at €4,202 million for the year, up 1.8% from the 2007 financial year, with a decline of 0.1% at constant scope of consolidation and exchange rates. Consolidation of acquisitions contributed 4.2% to sales and variations in exchange rates reduced the total by 2.3%.

trends partly offset declines in markets including China, Mexico and South Korea.

### **Stable maintainable adjusted operating margin at 17.7% and 1.5% rise in net income excluding non-recurrent items**

Adjusted operating income amounted to €697.9 million, equal to 16.6% of sales. Excluding restructuring charges, adjusted operating income was 17.7%, identical to that in 2007. Measures to adapt business were adopted very early on in 2008 and this, combined with the fact that over half of group costs are variable, cushioned the impact of the sharp slowdown observed over the year. At the same time, Legrand maintained its commitment to innovation in 2008, investing 4.4% of sales in R&D. Finally, strong market positions and demand driven by a very large number of decision-makers enabled the group to keep sales price management well in hand.

Excluding non-recurrent items linked to restructuring expense and exchange-rate gains/losses, 2008 net income came to €401.7 million, up 1.5% from 2007.

### **Pace of cost-cutting program doubles**

Legrand doubled the annual pace of its cost-cutting program raising restructuring charges to €48 million at December 31, 2008. 2009 priorities include:

- adapting production capacity and structural expense to market trends;

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## APPENDIX 2

- striking a new balance in production and R&D teams to cover markets where demand is strongest;
- choice of a leading brand in selected countries to streamline sales teams and administration;
- optimizing logistic and IT costs;
- a decrease in travel expense;
- a reduction in advertising expense.

These initiatives add up to a gross improvement equivalent to 4 points of adjusted operating margin, out of which 50% in reduction of fixed costs.

### **Robust free cash flow generation and reliable long-term financing**

Free cash flow came to €430 million or 10.2% of sales, after, in particular, industrial investment of €160 million or 3.8% of sales. Tight control of capital employed and in particular of working capital needs are key priorities and net debt was cut by €191 million relative to September 30, 2008 thus amounting to €1,862 million at December 31, 2008. This is 100% backed by credit lines running through to 2013 at the earliest and 2025 at the latest.

### ■ 2 - RESEARCH AND DEVELOPMENT

No research and development activities were carried out directly through Legrand SA.

### ■ 3 - ENVIRONMENTAL AND SOCIAL RESPONSIBILITY INFORMATION

Not applicable for Legrand SA.

### ■ 4 - SIGNIFICANT EVENTS SINCE THE CLOSE OF THE FINANCIAL YEAR

Nil.

### ■ 5 FORESEEABLE DEVELOPMENTS AND OUTLOOK

Operating conditions in 2009 should be much the same as in 2008.

As regards finances, debt should remain at the same level as in December 2008.

### ■ 6 - CHANGES IN THE PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

Nil.

### ■ 7 - APPROPRIATION OF EARNINGS

We propose that earnings in an amount of €176,969,708.02 be appropriated as follows:

■ Appropriation to legal reserve	€8,848,485.40
■ Dividend distribution (€0.70 per share)	€179,248,478.50*
■ Deduction of the difference	€11,127,255.88 to retained earnings, amounting to €680,047,263.67

\* Calculated on the basis of the number of own shares held on December 31, 2008, this amount being likely to be adjusted according to the number of own shares held at the date of payment.

Dividends are eligible in full for the 40% income-tax exemption provided for under article 158-3.2e of the French *Code général des impôts* where this is applicable to the shareholders concerned.

We remind shareholders that the Company is legally required to hold an inappropriable reserve in an amount equal to that of shares bought back, this being €136 million.

### ■ 8 - EARNINGS OVER THE PAST FIVE YEARS

We inform you of our company's earnings over the past five years as required under article 148 of the Ministerial Decree dated March 23, 1967.

For the sake of clarity, this information is presented in a table (Appendix 2).

### ■ 9 - DIVIDENDS

In compliance with the provisions of article 245 of the French *Code général des impôts* we inform you of the dividends made payable over the past three years.

Dividends distributed in respect of the 2005, 2006 and 2007 financial years were as follows:

Year	Number of shares	Net dividend
2005	269,693,376 shares, €4	€0.41
2006	266,241,719 shares, €4	€0.50
2007	256,058,625 shares, €4	€0.70

The dividends distributed were eligible for the 40% income-tax exemption under 158-3-2e of the French *Code général des impôts*.

### ■ 10 - MANDATES AND OTHER FUNCTIONS OF CORPORATE OFFICERS

As provided in the French Commercial Code, this information is set out in Appendix 3.



## ■ 11 - MANAGEMENT

As provided under article L.225-51-1 of the French Commercial Code, we inform you that Gilles Schnepf held the positions of Chairman and Chief Executive Officer at December 31, 2008.

## ■ 12 - SUBSIDIARIES AND ACQUISITIONS OF EQUITY INTERESTS

There were no significant acquisitions of equity interests or control.

## ■ 13 - SHAREHOLDERS

### a) At December 31, 2008, ownership of Legrand shares broke down as follows:

	% of capital	% of voting rights
■ Wendel group	30.7%	36.7%
■ KKR group	30.7%	36.7%
■ Legrand management and employees	5.3%	5.3%
■ Treasury shares	2.5%	-
■ Free float	30.8%	21.3%

Article 11.4 of Company articles provides that from February 24, 2006 on, voting rights double those of other shares in proportion to the portion of capital represented are attributed to all fully-paid shares registered in the name of the same owner for a period of at least two years.

### b) Employee share ownership

In connection with the admission of Legrand shares to trading on Euronext Paris, the Company offered its employees and those of its French subsidiaries in which its interest, direct or indirect, exceeds 50%, preferred terms for the purchase of Legrand shares by means of a capital increase reserved to employees. This offer, available only in France, was open to all participants in the *Plan d'Épargne Groupe Legrand Actionnariat (PEG Actionnariat)* employee share ownership program, which supplements the employee share ownership plan launched on January 30, 2004.

On May 2, 2006, a total of 2,303,439 shares representing 0.85% of capital stock were issued and paid up at a 20% discount to the IPO price, setting the price paid by employees at €15.80 per share. This included the par value of €4 each plus an issuing premium of €11.80.

Participants received units of the Company investment fund (*Fonds Commun de Placement Entreprise or FCPE*), the vehicle for employee share ownership, in quantities proportionate to their individual investments.

At December 31, 2008, shares held by employees in this way totaled 2,182,639.

## ■ 14 - COMPENSATION OF CORPORATE OFFICERS

Information concerning compensation of corporate officers is provided in compliance with the French Commercial Code in Appendix 4.

## ■ 15 - STOCK OPTIONS AND FREE SHARE ALLOTMENTS

### Stock options subscriptions to new shares or purchases of existing shares

On June 6, 2003, the Company adopted a stock-option plan, under which options may be granted for subscription to a defined number of ordinary shares at a price initially set at €1 per share for options granted in 2003 and 2004, and at €1.40 for those granted in 2005. At their General Meeting on February 24, 2006, shareholders voted to combine shares, with one new share replacing four existing shares, simultaneously raising the nominal value per share from €1 to €4. As a result, exercise prices for options were raised to €4 per share in the case of those granted in 2003 and 2004, and to €5.60 for those granted in 2005.

In 2008, 977,784 options were exercised, these having been allocated in the course of the 2003 and 2004 financial years.

The 2003 option plan expired on August 5, 2008.

Of the remaining options, 283,635 may be exercised in 2009 and 57,917 in 2010.

On May 15, 2007, the Company adopted a stock option plan for subscription to new shares or purchase of existing shares. The exercise price for a new or existing share was set at €25.20. A total of 1,638,137 options were allotted.

On March 5, 2008, the Company initiated a new stock option plan for subscription to new shares or purchase of existing shares benefiting staff members and/or certain corporate officers. The exercise price for a new or existing share was set at €20.58. A total of 2,015,239 options were allotted.

The corporate officers concerned will be required to hold at least 30% of the shares resulting from the exercise of options in registered form until the expiration of their term of office.

As provided under article L.225-184 of the French Commercial Code, a special report on this subject will be presented to the General Meeting of Shareholders on May 26, 2009.

### Free share allotments

On May 15, 2007, the Company adopted a free-share plan. The total number of free shares allotted was 533,494.

On March 5, 2008 a new free-share plan was initiated for the benefit of certain employees and/or corporate officers. The total number of free shares allotted was 654,058.

The corporate officers concerned will be required to hold at least 30% of the shares allotted to them in registered form until the expiration of their term of office.

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## APPENDIX 2

As provided under article L.225-197-4 of the French Commercial Code, a special report on this subject will be presented to the General Meeting of Shareholders on May 26, 2009.

Options granted and free shares allotted and shares subscribed to and canceled in connection with the various plans adopted are detailed in note 2.6 d) to the Company's separate financial statements.

### ■ 16 - DELEGATION OF POWERS IN CONNECTION WITH CAPITAL INCREASES

Information concerning delegation of powers in connections with capital increases is provided in compliance with articles L.225-129-1 and L.225-129-2 of the French Commercial Code in Appendix 5.

### ■ 17 - SHARE BUYBACKS

In the course of 2008, the Company purchased a total of 11,259,846 own shares and sold 6,760,866 in connection with the liquidity contract entered into with Crédit Agricole Cheuvreux on May 29, 2007, the terms of this contract being in accordance with the Charter of Ethics adopted by the French Association of

Investment Firms and approved by financial market supervisor AMF in its decisions dated March 22, 2005.

The average price for purchases was €17.72 per share and the average price for sales €16.79 per share.

Related trading costs totaled €7,081.

At December 31, 2008, the Company held 6,745,873 own shares with a nominal value of €4 each, representing a nominal total of €26,983,492 or 2.5% of capital stock. Valued at cost, they represented a total amount of €135,984,195.

Excluding transactions under the liquidity contract, 2,754,403 shares were purchased for a total of €56,442,928. These shares were appropriated as follows:

- 2,605,419 shares valued at €53,196,066 were appropriated for the implementation of such stock-option plans as necessary, representing 0.9% of the capital of the Company and a nominal value of €10,421,676;
- 148,984 shares valued at €3,246,862 were cancelled, representing 0.05% of the capital of the Company and a nominal value of €595,936.

The balance on the liquidity contract stood at 1,861,000 shares at December 31, 2008.

### ■ 18 - MANAGERS' TRANSACTIONS IN COMPANY SHARES (ARTICLES L.621-18-2 AND R.621-43-1 OF THE MONETARY AND FINANCIAL CODE)

Transactions reported to market supervisor AMF during 2008 were as follows:

Declarer	Date 2008	Transaction	Nature of Securities	Price (in €)	Amount (in €)
John Selldorff	July 4	Exercise of options	Shares	04.00	13,576
	July 7	Exercise of options	Shares	04.00	178,416
	July 7	Sale	Shares	16.52	696,714
	July 8	Sale	Shares	16.52	53,074

### ■ 19 - FACTORS THAT MAY BE RELEVANT IN THE EVENT OF A TENDER OFFER

#### 1. Ownership of capital

The ownership of Legrand shares is mentioned in paragraph 13 above.

#### 2. Restrictions on the exercise on voting rights and transfers of shares provided for in Company articles or agreements brought to the notice of the Company pursuant to article L.233-11 of the French Commercial Code

Company shares are freely negotiable and are transferred from account to account in accordance with applicable legislation and regulations.

Within the limits imposed by legislation and regulation, members of the General Meeting in principle have as many votes as shares they own or hold proxies for.

However voting rights attached to shares, in proportion to the share of capital stock represented, are doubled in the case of fully-paid shares for which it is shown that they have been held on a registered account in the same owner's name for at least two years since February 24, 2006.

In addition, in the event of a capital increase through incorporation of reserves, earnings or issue premiums, the double voting right is attached, on issue, to the registered shares allocated free of charge in this respect to the holders of shares to which this right is already attached.

Any shares converted from registered to bearer form or the ownership of which is transferred cease to carry double voting rights. However, if the transfer of ownerships results from succession, the dissolution of the joint property of spouses, or gift to a spouse or person in line of succession, the double voting rights do not lapse and there is no interruption in the required period of two years.

The merger or division of the Company is without effect on double voting rights, which may be exercised within the successor company or companies provided this is allowable under the articles of this company or these companies.

### 3. Direct and indirect equity interests of which the Company has been apprized by virtue of articles L.233-7 and L.233-12 of the French Commercial Code

No direct or indirect equity interests of a nature to affect a tender offer were acquired in the 2008 financial year.

### 4. Owners of any securities conferring special rights of control and description of these securities

Nil.

### 5. Control procedures provided for employee share-ownership plans when the employees do not exercise this control themselves

As provided in the regulations of Company investment funds "Actions Legrand" and "Legrand Cap 2011", the voting rights attached to Company shares are exercised by the Supervisory Board of these funds.

### 6. Shareholders' agreements of which the Company is aware and that are of a nature to restrict transfers of shares and exercise of voting rights

On March 21, 2006, Wendel and KKR entered into a shareholders' agreement (the "Shareholders' Agreement") in the context of the initial public offering. The main provisions of the Shareholders' Agreement are described below.

#### Principles

Given the existing concert between Wendel and KKR, each of them has agreed not to acquire any shares of the Company which, under French law, would result in the obligation to register a public tender offer for the shares of the Company, except where the acquiring party solely bears the consequences of such a tender offer. In the event that one of the parties pursues such an offering, the Shareholders' Agreement will be amended to (i) allow the non-offering party (which party will have become a minority shareholder) veto rights on certain material decisions regarding the Company for so long as such party holds at least 20% of the voting rights of the Company; and (ii) grant tag-along rights in the event the party holding majority ownership of the Company sells its shareholding in the Company.

#### Exercise of voting rights

Without prejudice to the voting rights of the shareholders in General Shareholders' Meetings, Wendel and KKR agreed that,

during a period of two years and three months as from the date of the admission for trading of the shares of the Company on the Eurolist market of Euronext Paris, i.e., until July 6, 2008, they will, by means of their votes at Shareholders' Meetings and those of the Directors they have nominated, ensure that the Board of Directors continues to be composed of a majority of members proposed by Wendel and KKR. Throughout this period, the seats of the Board of Directors will be shared on an equal basis between members proposed by Wendel and by KKR, without considering their respective shareholdings in the Company.

Since July 6, 2008 it has been possible to adjust the allocation of seats on the Board occupied by Directors proposed by each of Wendel and KKR in the event of a change in the respective shareholding in the Company of Wendel or KKR.

Should the combined shareholding of Wendel and KKR in the Company become less than one-third of the voting rights of the Company, the voting agreements between KKR and Wendel would be terminated (see below).

#### Exit mechanisms

##### Restricted period

Since April 8, 2008, Wendel and KKR have no longer been subject to the obligation under the Shareholders' Agreement not to dispose of any shares of the Company, with the exception of disposals to related parties and sales of limited numbers of shares (in accordance with thresholds defined in order to limit the impact of such disposals on the stock price), it being specified that such disposals required prior notification of the other party.

##### Post-restricted period

If at any time during the term of the Shareholders' Agreement either KKR or Wendel wishes to carry out a secondary offering of its shares in the Company in an amount greater than €150 million, or if either of them wishes to dispose of a block of shares of the Company in an amount greater than €100 million, the other party will be entitled to tag along on such secondary offering or disposal. This right does not apply with respect to distributions of shares of the Company to shareholders of Wendel or KKR, or in the event of the issuance of securities convertible or exchangeable for shares of the Company (convertible bonds, etc.) or in the event of securities of the Company being used as consideration in another, more extended transaction.

KKR and Wendel will have the Company undertake to carry out certain actions in the context of any secondary offerings, in order to allow for an orderly placement with the public of the shares they hold.

All share sales by either Wendel or KKR to a trade buyer in an amount greater than €100 million requires the prior consent of the other party.

In the event of a proposed sale by Wendel or KKR of a portion of their shares in the Company, the non-selling party will have a right of first offer to purchase the shares proposed for sale. This right of first offer will not apply to the distribution of shares of the Company to shareholders of Wendel or KKR, or to the issuance of securities convertible or exchangeable for shares of the Company (such as convertible bonds).

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### **Termination**

The Shareholders' Agreement will terminate on the earliest of (i) the date on which the combined shareholding in the Company of Wendel and KKR represents less than one-third of the voting rights of the Company; (ii) the date on which the shareholding of either Wendel or KKR represents less than 5% of the voting rights of the Company; and (iii) the fifth anniversary of the initial public offering of the Company's shares on the Euronext market of Euronext Paris.

### **7. Appointment and replacement of members of the Board of Directors and amendment of Company articles and by-laws**

#### **Appointment and replacement of members of the Board of Directors**

As indicated in section 6 (*Shareholders' agreements of which the Company is aware and that are of a nature to restrict transfers of shares and exercise of voting rights*) above, the Shareholders' Agreement between Wendel and KKR includes provisions pertaining to the appointment and replacement of members of the Board of Directors (under the heading "Exercise of voting rights").

Otherwise, the Company's constitutional documents provide that it is managed by a Board of Directors made up of a minimum of three members and of a maximum of eighteen members, subject to the exception provided by law in the event of a merger. The regulations of the Board of Directors further provide that the Board is to ensure that at least two of its members are independent directors.

Subject to legal exceptions, each Director must hold (in registered form) at least 500 ordinary shares of the Company while a Director of the Company.

Members of the Board are appointed to serve six-year terms, which expire at the end of the ordinary General Meeting of shareholders called to consider accounts for the financial year preceding the year in which their term of office expires. They may be reappointed for consecutive terms without limit.

When the legal conditions are satisfied, the Board of Directors may appoint provisional members of the Board for the remaining term of office of their predecessor. As provided by law, provisional appointments are subject to ratification at the first Shareholders' Meeting thereafter.

No individual exceeding the age of 70 may be appointed to the Board of Directors if his/her appointment results in more than one-third of the number of members of the Board of Directors having exceeded such age. If, during their term of office, the number of members of the Board of Directors having exceeded

the age of 70 exceeds one-third of their total number, the oldest member will be deemed to have resigned at the end of the Ordinary General Meeting of shareholders called to consider accounts for the previous financial year, and which is held during the year in which the age limit is reached.

#### **Amendment of Company articles and by-laws**

Since the Company's constitution documents make no specific provisions, such amendments are subject to the general provisions of law.

### **8. Powers of the Board of Directors – share issuance and buybacks**

Information on this subject is provided in Appendix 5. It should be noted that the resolutions of the General Meeting authorizing the share buyback program do not provide for continued purchases of the Company's own shares in the event of a tender offer for Company's shares.

### **9. Agreements to which the Company is a party and which are altered or lapse in the event of a change of control**

The following contracts may be altered or lapse if control of the Company changes:

- the credit contract in an amount of €2.2 billion taken out with five mandated lead arrangers on January 10, 2006;
- the credit contract in an amount of €220 million taken out with a number of French financial institutions on May 21, 2007;
- contract for the issuance of bonds on the US market by the Company's subsidiary Legrand France in amount of \$400 million in the event that control changes as a result of a hostile offer;
- the credit contract in an amount of €50 million taken out with a French bank on October 16, 2008.

### **10. Agreements providing for the payment of indemnities to employees or members of the Board of Directors in the event of resignation, or of dismissal without real and serious cause, or of termination of employment as consequence of a tender offer**

Nil as regards corporate officers and members of the Board of Directors.

February 10, 2009

**The Board of Directors**

## Appendix 1 to the Management Report

LEGRAND SA		
Debt position (in € millions)	12/31/2008	12/31/2007
<b>Bank borrowings</b>		
<b>Amount</b>		
Bank loan (EUR)	220.0	220.0
Credit facility (USD)	-	298.1
Credit facility (EUR)	365.0	65.0
<b>TOTAL BANK BORROWINGS</b>	<b>585.0</b>	<b>583.1</b>
<b>Accrued interest</b>	<b>0.7</b>	<b>0.8</b>
<b>Interest expense</b>		
Bank loan (EUR)	11.8	6.7
Credit facility	17.7	19.3
<b>TOTAL INTEREST ON BANK BORROWINGS</b>	<b>29.5</b>	<b>26.0</b>
%	5.0%	4.5%
<b>Debts to affiliated companies</b>		
<b>Amount</b>		
Legrand France loan	233.7	283.8
<b>Accrued interest</b>		
Legrand France loan	2.4	3.3
<b>Interest expense (loan outstanding at Dec. 31)</b>		
Legrand France loan	13.7	12.5
%	5.9%	4.4%
<b>Total debt</b>	<b>821.8</b>	<b>871.0</b>
Total shareholders' equity	3,005.2	3,228.7
<b>% Debt/shareholders' equity</b>	<b>27%</b>	<b>27%</b>

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## Appendix 2 to the Management Report

LEGRAND SA					
Financial results over the last 5 years (in € thousands)	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008
	12 months	12 months	12 months***	12 months	12 months
<b>Capital stock at year end</b>					
Share capital	759,351	759,351	1,078,774	1,083,903	1,051,261
Ordinary shares outstanding	759,350,900	759,350,900	269,693,376	270,975,739	262,815,128
Total shares issued	759,350,900	759,350,900	269,693,376	270,975,739	262,815,128
of which, number held by the Company <sup>†</sup>	-	-	-	11,385,834	6,745,873
<b>Result of operations</b>					
Net sales			14,778	17,335	20,305
Profit before tax, amortization, depreciation and provisions**	1,927	4,067	520,888	359,080	188,203
Tax on profit	39,201	42,011	68,050	97,539	33,582
Employee profit sharing			(85)	(121)	(231)
Profit after tax, amortization, depreciation and provisions	41,052	46,092	594,238	449,128	176,970
Distributed earnings			110,574	133,121	179,241
<b>Result of operations per share (divided by total number)</b>					
Profit before tax, amortization, depreciation and provisions	0.00	0.01	1.93	1.33	0.72
Profit after tax, amortization, depreciation and provisions	0.05	0.06	2.20	1.66	0.67
Dividend paid on each ordinary share	0.00	0.00	0.41	0.50	0.70
<b>Workforce</b>					
Number of employees at year end	1	1	43	50	51
Total salaries and wages	220	220	4,005	5,058	6,009
Payments relating to employee benefits (social security, other benefits, etc.)	64	76	1,769	2,137	3,221

\* No dividend entitlement or voting rights can be attached to own shares held by the Company.

\*\* In 2006 includes gain of €380,820,955 on dissolution of Legrand SAS and pooling of assets and liabilities.

\*\*\* The financial year was over 12 months but as a result of the merger of Legrand SAS into the Company in March 2006, payroll and employee benefit expenses were over 10 months.

## Appendix 3 to the Management Report

Name	List of positions held in French and foreign companies	1
<p><b>Gilles Schnepf</b> Age 50 128, avenue du Maréchal de Lattre de Tassigny  87000 Limoges <i>Director of the Company since 2002 and Chairman of the Board and Chief Executive Officer since 2006</i></p>	<p><i>Current positions:</i></p> <ul style="list-style-type: none"> <li>■ Chairman and CEO of Legrand France</li> <li>■ Chairman and CEO of SERD and permanent representative of Pammelec, Director</li> <li>■ Chairman of the Board of Directors of Leten</li> <li>■ Chairman of the Board of Directors of TCL Legrand International Electrical</li> <li>■ Chairman of the Board of TCL Wuxi</li> <li>■ Director and Chairman of the Board of Directors of Anam</li> <li>■ Director and Chairman of the Board of Directors of Bticino Corporativo</li> <li>■ Director and Chairman of the Board of Directors of Bticino Industrial</li> <li>■ Director and Chairman of the Board of Directors of Bticino Operacional SA DE CV</li> <li>■ Director and Chairman of the Board of Directors of Bticino Philippines</li> <li>■ Director and Chairman of the Board of Directors of Bticino Servicios</li> <li>■ Director and Chairman of the Board of Directors of Bticino SpA</li> <li>■ Director and Chairman of the Board of Directors of Fidelec</li> <li>■ Chairman of the Board of Directors of Firelec</li> <li>■ Director of HPM Industries</li> <li>■ Director and Chairman of the Board of Directors of Legrand China Holding</li> <li>■ Director and Chairman of the Board of Directors of Legrand Holding Inc.</li> <li>■ Director and Chairman of the Board of Directors of Legrand ZRT</li> <li>■ Director and Chairman of the Board of Directors of Simapel</li> <li>■ Director and Chairman of the Board of Directors of Tenby Electrical Accessories</li> <li>■ Director and Chairman of the Board of Directors of Legrand (S) PTE Ltd.</li> <li>■ Chairman of the Board of Directors of Legrand Electrica</li> <li>■ Director and Chairman of the Board of Directors of Legrand Group España SL</li> <li>■ Director of Bticino de Mexico</li> <li>■ Director of Legrand Elektrik Sanayi</li> <li>■ Director of Desmag</li> <li>■ Director of Eltas</li> <li>■ Director of Estap Elektrik</li> <li>■ Director of Estap Dis Ticaret</li> <li>■ Director of Legrand Australia</li> <li>■ Director of Kimbe</li> <li>■ Director of Legrand (Beijing) Electrical Company</li> <li>■ Director of Legrand Colombia</li> <li>■ Director of Legrand Electrique Belgique</li> <li>■ Director of Legrand Helliniki</li> <li>■ Director of Legrand Hong-Kong</li> <li>■ Director of Legrand Ireland Ltd.</li> <li>■ Director of Legrand Kazakhstan</li> <li>■ Director of Legrand Nederland BV</li> <li>■ Director of Legrand NZ</li> <li>■ Director of Legrand Romania</li> <li>■ Director of Legrand Shanghai Trading</li> <li>■ Director of O.A.O. Kontaktor</li> <li>■ Director of Pass &amp; Seymour Inc.</li> <li>■ Director of PT Legrand Indonesia</li> <li>■ Director of PT Supreme Electro Kontak</li> <li>■ Director of The Wiremold Company</li> <li>■ Member of the Supervisory Board of Legrand Polska</li> <li>■ Director of Legrand Skandinaviska</li> <li>■ Director and manager of Legrand SLV d.o.o.</li> <li>■ Manager of Legrand Austria</li> <li>■ Permanent representative of Legrand France, Chairman of Baco</li> <li>■ Chairman of the Supervisory Board of Châteaudun Développement 3</li> <li>■ Permanent representative of Legrand France, Chairman of Cofrel</li> <li>■ Permanent representative of Legrand France, Chairman of Distrasa</li> <li>■ Permanent representative of Legrand France, Chairman of Groupe Arnould</li> <li>■ Permanent representative of Legrand France, Chairman of ICM Group</li> <li>■ Permanent representative of Legrand France, Chairman of Inovac</li> <li>■ Permanent representative of Legrand France, Chairman of Sarlam</li> <li>■ Permanent representative of Legrand France, Chairman of Sute</li> <li>■ Permanent representative of Legrand France, Chairman of URA</li> <li>■ Permanent representative of Legrand France, manager of Legrand SNC</li> <li>■ Director of Clarly Ltd</li> <li>■ Director of Rocom Electric Company Ltd</li> <li>■ Director of Shenzhen Shidean Legrand Electronic Products</li> <li>■ Director of Van Geel Slovakia</li> <li>■ Positions held during the past five years:</li> <li>■ Mandates in various companies of the Group.</li> </ul>	2
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\* Listed company.

## APPENDIX 2

Name	List of positions held in French and foreign companies
<p><b>Olivier Bazil</b> Age 62 128, avenue du Maréchal de Lattre de Tassigny 87000 Limoges <i>Director of the Company since 2002 et Vice-Chairman and Chief Operating Officer since 2006</i></p>	<p><i>Current positions:</i></p> <ul style="list-style-type: none"> <li>■ Chairman and CEO of Desmag</li> <li>■ Chief Operating Officer, Vice-Chairman of the Board of Directors and Director of Legrand France</li> <li>■ Chairman of the Board of Directors of TCL Legrand Electrical Technology</li> <li>■ Director of Anam</li> <li>■ Director of Bticino SpA</li> <li>■ Director of Bticino Corporativo</li> <li>■ Director of Bticino Industrial</li> <li>■ Director of Bticino Operacional</li> <li>■ Director of Bticino Servicios</li> <li>■ Director of Dipareena Electricals</li> <li>■ Director of HPM Industries</li> <li>■ Director of Legrand Colombia</li> <li>■ Director of Legrand Elektrik Sanayi</li> <li>■ Director of Legrand Group España SL</li> <li>■ Director of Eltas</li> <li>■ Director of Estap Dis Ticaret</li> <li>■ Director of Estap Elektrik</li> <li>■ Director of Estap Middle East Fzc</li> <li>■ Director of Legrand Electrica</li> <li>■ Director of Legrand (India) Private</li> <li>■ Director of Legrand (HK) Ltd.</li> <li>■ Director and Vice-Chairman of Legrand Holding Inc.</li> <li>■ Director of Legrand Nederland BV</li> <li>■ Director of Parkfield Holdings Limited</li> <li>■ Director of Pass &amp; Seymour Inc.</li> <li>■ Chairman of the Supervisory Board of PT Legrand Indonesia</li> <li>■ Chairman of the Board of Directors of Vantage Emea</li> <li>■ Director of Vetron</li> <li>■ Director and CEO of PB Finelectric BV</li> <li>■ Director of The Wiremold Company</li> <li>■ Member of the Supervisory Board of Legrand Polska</li> <li>■ Director of Legrand SNC FZE Dubai</li> <li>■ Member of the Supervisory Board of Legrand ZRT</li> <li>■ Chairman of O.A.O. Kontaktor</li> <li>■ Manager of Rhein Vermögensverwaltung</li> <li>■ Permanent representative of AE Chessy, Manager of Planet Watthom</li> <li>■ Permanent representative of Legrand France, Chairman of Alpes Technologies</li> <li>■ Permanent representative of Legrand France, Chairman of AE Chessy</li> <li>■ Permanent representative of AE Chessy, Director of SERD</li> <li>■ Member of the Supervisory Board of Châteaudun Développement 3</li> <li>■ Permanent representative of Legrand France, Chairman of Pammelec</li> <li>■ Permanent representative of Legrand France, Chairman of Préfatech</li> <li>■ Director and Chairman of the Board of Directors of Shenzhen Shidean Legrand Electronic Products</li> <li>■ Director of TCL Communication (HK) Ltd.</li> <li>■ Director of TCL Legrand International Electrical (Huizhou) Co. Ltd.</li> <li>■ Chairman of the Board of Directors of TCL Legrand International Electrical (Hu He Hao Te) Co. Ltd.</li> <li>■ Director of TCL Wuxi</li> <li>■ Director of Firmenich International SA (outside the Group)</li> </ul> <p><i>Positions held during the past five years:</i></p> <ul style="list-style-type: none"> <li>■ Mandates in various companies of the Group.</li> </ul>
<p><b>Mattia Caprioli</b> Age 34 Stirling Square 7 Carlton Gardens London SW1Y 5AD United Kingdom  Director of the Company since 2007</p>	<p><i>Current positions:</i></p> <ul style="list-style-type: none"> <li>■ Director of Alliance Boots (since 2007)</li> </ul> <p><i>Positions held during the past five years:</i></p> <ul style="list-style-type: none"> <li>■ Director of FL Selenia SpA (2005-2007)</li> <li>■ Director of AVR Bedrijven BV (2006-2007)</li> <li>■ Director of Jaunes Groupe SA* (2006-2007)</li> </ul>
<p><b>Arnaud Fayet</b> Age 66 89, rue Taitbout 75009 Paris  <i>Director of the Company since 2002</i></p>	<p><i>Current positions:</i></p> <ul style="list-style-type: none"> <li>■ Director of Stallergènes* (since 1999)</li> <li>■ Director of Transgène* (since 2003)</li> <li>■ Director of Vaucrains Participations (since 1990)</li> </ul> <p><i>Positions held during the past five years:</i></p> <ul style="list-style-type: none"> <li>■ Director of Guala Closures SpA (2001 – 2008)</li> <li>■ Director of BLR Lux (2002-2006)</li> <li>■ Chairman of the Supervisory Board of SFMI-Micromania (2005-2008)</li> <li>■ Director of Biomérieux SA (1997-2004)</li> <li>■ Director of Taitbout Antibes BV (1999-2005)</li> <li>■ Director of Wheelabrator Allevar (1997-2005)</li> <li>■ Member of the Supervisory Board of Trader Classified Media (2000-2004)</li> </ul>

\* Listed company.



Name	List of positions held in French and foreign companies	
<b>Jacques Garaialde</b> Age 52 Flat 2 25 The Little Boltons Londres SW10 9LL United Kingdom <i>Director of the Company since 2003</i>	<i>Current positions:</i> <ul style="list-style-type: none"> <li>■ Managing Director of Kolberg Kravis Roberts &amp; Co. Ltd</li> <li>■ Chairman and CEO of Médiannuaire Holding (since 2006)</li> <li>■ Chairman of the Board of Directors of Pages Jaunes Groupe* (since 2006)</li> <li>■ Member of the Executive Committee of Société d'Investissement Familiale (SIF) (since 2007)</li> <li>■ Director of Nexans* (since 2001)</li> <li>■ Director of Tarkett (since 2007)</li> </ul> <i>Positions held during the past five years:</i> <ul style="list-style-type: none"> <li>■ Director of Legrand France (2001-2006)</li> </ul>	1
<b>Edward A. Gilhuly</b> Age 49 245 Lytton Avenue Suite 250 Palo Alto, CA 94301 United States <i>Director of the Company since 2002</i>	<i>Current positions:</i> <ul style="list-style-type: none"> <li>■ Director of Duke Management Company (since 2005)</li> <li>■ Director of California Academy of the Sciences (since 2005)</li> <li>■ Member of Sageview Capital LP (since 2005)</li> <li>■ Director of MTU Aero Engines</li> <li>■ Director of Vendex</li> <li>■ Member of the Supervisory Board of Demag Holding Sarl (since 2002)</li> </ul> <i>Positions held during the past five years:</i> <ul style="list-style-type: none"> <li>■ Director of Legrand France (2001-2006)</li> <li>■ Member and partner of KKR (1986-2005)</li> <li>■ Director of MedCath Corporation (1998-2008)</li> <li>■ Director of Rockwood Specialties, Inc. (2000-2005)</li> <li>■ Director of Tenovis GmbH (2000-2004)</li> <li>■ Director of LNG (2000-2003)</li> <li>■ Member of the Supervisory Board of Wincor Nixdorf AG (1999-2006)</li> </ul>	2 3
<b>François Grappotte</b> Age 72 128, avenue du Maréchal de Lattre de Tassigny 87000 Limoges <i>Director of the Company since 2002</i>	<i>Current positions:</i> <ul style="list-style-type: none"> <li>■ Director and Honorary Chairman of the Board of Directors of Legrand France (Chairman of the Board of Directors and CEO until early 2006)</li> <li>■ Member of the Supervisory Board of Michelin</li> <li>■ Director of BNP Paribas* (since 1999)</li> </ul> <i>Positions held during the past five years:</i> <ul style="list-style-type: none"> <li>■ Member of the Advisory Council of Banque de France</li> <li>■ Director of Valeo (2003-2007)</li> <li>■ Member of the Supervisory Board of Galeries Lafayette (2004-2005)</li> <li>■ President of Lumina Management (until early 2006)</li> <li>■ Director of Bticino SpA (until early 2006)</li> <li>■ Director of Legrand Elektrik Sanayi (until early 2006)</li> <li>■ Director of Eltas Elektrik (until early 2006)</li> <li>■ Director of Legrand España (until early 2006)</li> <li>■ Director of Pass &amp; Seymour Inc. (until early 2006)</li> <li>■ Director of The Wiremold Company (until early 2006)</li> </ul>	4 5 6 7 8
<b>Gérard Lamarche</b> Age 47 ans 16 rue de la Ville l'Évêque 75008 Paris <i>Director of the Company since 2006</i>	<i>Current positions:</i> <ul style="list-style-type: none"> <li>■ Chairman of the Board of Directors and Director of Genfina (Belgium)</li> <li>■ Director of Aguas de Barcelona (Spain)</li> <li>■ Director of Electrabel (Belgium)</li> <li>■ Director of Leo Holding Company (USA)</li> <li>■ Director of GDF Suez Energie Services</li> <li>■ Director of Suez Environnement Company</li> <li>■ Director of Suez Environnement North America (USA)</li> <li>■ Director of Suez-Tractebel (Belgium)</li> </ul> <i>Positions held during the past five years:</i> <ul style="list-style-type: none"> <li>■ Chairman of the Board of Directors and Director of Cosutrel (Belgium)</li> <li>■ Director of DISTRIGAZ(S) (Belgium)</li> <li>■ Director of KKR Guernsey GP Limited (USA)</li> </ul>	9 10 11
<b>Jean-Bernard Lafonta</b> Age 47 89, rue Taitbout 75009 Paris <i>Director of the Company since 2002</i>	<i>Current positions:</i> <ul style="list-style-type: none"> <li>■ Chairman of the Management Board of Wendel* (since 2005)</li> <li>■ Director of Compagnie de Saint Gobain* (since 2007)</li> <li>■ Chairman of the Supervisory Board of Bureau Veritas* (since 2005)</li> <li>■ Chairman of the Board of Directors of Winvest International SA (since 2006)</li> <li>■ President of Compagnie de l'Audon (since 2007)</li> <li>■ Member of the Management Council of Materis Parent SARL (since 2006)</li> <li>■ Member of the Supervisory Board of Oranje-Nassau Groep BV (since 2002)</li> <li>■ Manager of Granit SARL</li> <li>■ Manager of JB Mac Nortance</li> <li>■ Manager of Winvest Conseil (since 2006)</li> </ul> <i>Positions held during the past five years:</i> <ul style="list-style-type: none"> <li>■ Director of Legrand France (2001-2006)</li> <li>■ Chairman of the Supervisory Board of Editis Holding (2004-2008)</li> <li>■ Director and Chief Operating Officer of Wendel Investissement (2001-2005)</li> <li>■ Director of Lumina Parent (2003-2006)</li> <li>■ Director of Valeo (2001-2006)</li> <li>■ Permanent representative of SOFU on the Board of Directors of Bureau Veritas (2002-2005)</li> </ul>	12 13

\* Listed company.



## APPENDIX 2

Name	List of positions held in French and foreign companies
<p><b>Thierry de La Tour d'Artaise</b>            Age 54            Chemin du Petit-Bois – BP 172            69134 Ecully Cedex  <i>Director of the Company since 2006</i></p>	<p><i>Current positions:</i></p> <ul style="list-style-type: none"> <li>■ Chairman of the Board of Directors and CEO of SEB SA *</li> <li>■ President of SEB Internationale (SAS)</li> <li>■ Director of Plastic Omnium*</li> <li>■ Director of Club Méditerranée*</li> <li>■ Permanent representative of Sofinaction, Director of la Lyonnaise de Banque</li> <li>■ Director of SUPOR (China)</li> </ul> <p><i>Positions held during the past five years:</i></p> <ul style="list-style-type: none"> <li>■ Director of Tefal UK</li> <li>■ Director of Groupe SEB Japan</li> <li>■ Director of Groupe SEB Mexicana</li> <li>■ Director of Siparex Associés</li> <li>■ Member of the Supervisory Board of Rowenta Invest BV</li> <li>■ Chairman of the SEB Moulinex Group</li> <li>■ Chairman of the Supervisory Board of Rowenta Werke</li> <li>■ Member of the Supervisory Board of Group SEB Deutschland</li> <li>■ Director of T-fal Corp</li> <li>■ Director of T-fal de Mexico</li> <li>■ Director of Rowenta Inc.</li> <li>■ Director of Group SEB Colombia</li> <li>■ Director of SEB Benrubi</li> <li>■ Permanent representative of Seb Internationale at Seb UK Group</li> <li>■ Permanent representative of SEB SA at Rowenta France</li> <li>■ Permanent representative of SEB SA at Calor</li> <li>■ Permanent representative of SEB SA at Tefal</li> <li>■ Permanent representative of SEB SA at SAS SEB</li> <li>■ Manager of Rowenta Deutschland GmbH</li> <li>■ Manager of Krups GmbH</li> </ul>
<p><b>Ernest-Antoine Seillière</b>            Age 71            89, rue Taitbout            75009 Paris  <i>Director of the Company since 2002</i></p>	<p><i>Current positions:</i></p> <ul style="list-style-type: none"> <li>■ Chairman of the Supervisory Board of Wendel* (since 2005)</li> <li>■ Chairman of the Supervisory Board of Oranje-Nassau Groep BV (2001-2009)</li> <li>■ Director of SOFISAMC (since 2003)</li> <li>■ Member of the Supervisory Board of Bureau Veritas* (since 2005)</li> <li>■ Member of the Supervisory Board of Gras Savoye &amp; Cie (since 2003)</li> <li>■ Member of the Supervisory Board of Hermès International* (since 1997)</li> <li>■ Member of the Supervisory Board of Peugeot SA* (since 1994)</li> </ul> <p><i>Positions held during the past five years:</i></p> <ul style="list-style-type: none"> <li>■ Chairman of the Board of Directors of Société Lorraine de Participations Sidérurgiques (formerly Wendel Participations) (2006-2008)</li> <li>■ Member of the Supervisory Board of Editis Holding (2004-2008)</li> <li>■ Chairman of the Board of Directors and CEO of Société Lorraine de Participations Sidérurgiques (2003-2007)</li> <li>■ Chairman of the Board of Directors and CEO of Wendel Investissement (formerly CGIP) (1987-2005)</li> <li>■ Chairman of the Board of Directors of Lumina Parent (2003-2006)</li> <li>■ Vice-Chairman of the Board of Directors of Cap Gemini (2000-2006)</li> <li>■ Chairman of the Supervisory Board of Trader Classified Media (2000-2004)</li> <li>■ Permanent representative of SOFISERVICE, now ONG, on the Supervisory Board of Bureau Veritas (1995-2005)</li> </ul>

\* Listed company.

## Appendix 4 to the Management Report

(in euros)	Fixed salary	Bonus	Total	Benefits in	Director's	Total	Traveling expenses
	2008	2008	compensation	kind	fees	2008	
			2008	Note A	Note B		
Mr. Gilles Schnepf	550,000	597,600	1,147,600	3,919	20,000	1,171,519	38,660
Mr. Olivier Bazil	520,000	565,617	1,085,200	4,380	25,200	1,114,780	77,478

**Note A:** includes benefits in kind relating to car, telephone and other items.

**Note B:** fees received from Italy and Legrand.

Gilles Schnepf and Olivier Bazil also benefit from a supplementary pension contract.

Reserved to certain members of the Legrand Executive Committee, this entitles beneficiaries who have been employed by the Company for at least ten years and have reached an age of at least 60 on retirement to a supplementary pension calculated in such a way that, when added to their pension provided for under compulsory contributions, it ensures that the total pension

they receive is equal to 50% of the average total compensation (including bonuses and benefits) received in the two of the three years preceding their retirement in which this total was the highest. In the event of their decease, their surviving spouses will be entitled to 60% of this pension.

Readers are invited to consult paragraph 8.2 of the present reference document for full details on Executive Directors' compensation and benefits.

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## Appendix 5 to the Management Report

The table below lists the Board of Directors' use of authorizations granted by the General Meeting of Shareholders during the year.

Authorizations granted by the General Meeting of shareholders	Date of the General Meeting	Duration and expiration of authorization	Conditions of the authorization	Use of the authorization during the 2008 financial year
Purchase of shares representing no more than 10% of share capital	May 22, 2008	18 months November 22, 2009	Limited to 10% of share capital at the date of the General Meeting's decision. Maximum amount: €650 million. Maximum price per share: €36	2%. Amount: €80 million
	May 15, 2007	18 months November 15, 2008	Limited to 10% of share capital at the purchase date. Maximum amount: €650 million. Maximum price per share: €36	2.2%. Amount: €128 million
Cancellation of shares so purchased and capital reduction	May 22, 2008	26 months July 22, 2010	10% of share capital at the date of the cancellation decision.	Nil
	May 15, 2007 February 24, 2006	26 months July 15, 2009	10% of share capital at the date of the cancellation decision	3.3% at the date of the cancellation decision
Allotment of stock options or shares in favor of certain employees or corporate officers	May 15, 2007	38 months July 15, 2010	Duration of the plan: 10 years. Limited to 5% of share capital at the date of the allotment decision. Exercise price set by the Board of Directors: €20.58	0.7% of share capital at the date of the allotment decision, i.e., March 5, 2008
Issues without preferred subscription rights Issue of securities of all kinds	May 15, 2007	26 months July 15, 2009	€450 million (this maximum nominal amount being ascribed to the overall maximum of €600 million)	Nil
Issues with preferred subscription rights Issue of securities of all kinds	May 15, 2007	26 months July 15, 2009	€600 million (overall maximum amount)	Nil
Increase of issue amounts in the event of excess demand within 30 days of the subscription closing date	May 15, 2007	26 months July 15, 2009	Up to 15% of the initial issue (this nominal amount being ascribed to the overall maximum of €600 million)	Nil
Capital increase by incorporation of premiums, reserves, profit or other amounts	May 15, 2007	26 months July 15, 2009	€100 million (this maximum nominal amount being ascribed to the overall maximum of €600 million)	Nil
Issues reserved to employees participating in a group or Company share ownership/savings plan	May 15, 2007	26 months July 15, 2009	€25 million (this maximum nominal amount being ascribed to the overall maximum of €600 million)	Nil
Free allotment of existing shares or shares to be issued	May 15, 2007	38 months July 15, 2010	5% of share capital at the date of the allotment decision	0.2% of share capital at the date of the allotment decision, i.e., March 5, 2008
Issue of shares and other securities as consideration for contributions in kind	May 15, 2007	26 months July 15, 2009	10% of share capital at the issue date (this maximum nominal amount being ascribed to the overall maximum of €600 million)	Nil
Determination of issue price by call on the market	May 15, 2007	26 months July 15, 2009	10% of share capital (this maximum nominal amount being ascribed to the overall maximum of 600)	Nil

## ■ APPENDIX 3

# Report of the Statutory Auditors on Company's financial statements for the year ended December 31, 2008

## Statutory Auditors' report on the financial statements for the year ended December 31, 2008

*This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the Company's financial statements and includes an explanatory paragraph discussing the statutory auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the Company financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company financial statements.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

*Legrand*  
*Société anonyme*  
 128, avenue du Maréchal de Lattre de Tassigny  
 87000 Limoges

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you for the year ended December 31, 2008 on:

- the audit of the accompanying financial statements of Legrand (the "Company");
- the justification of our assessments;
- the specific verifications and disclosures required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

### I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities as of December 31, 2008 and the results of its operations for the year then ended in accordance with accounting rules and principles applicable in France.

### II. Justification of our assessments

The accounting estimates used to prepare the financial statements for the year ended December 31, 2008 were prepared in a context of uncertain economic outlooks. It is in this context and in accordance with article L.823-9 of the French Commercial Code relating to the justification of our assessments that we conducted our own assessments, which we bring to your attention:

Note 1.3 to the financial statements sets forth the accounting policies related to the valuation of investments in participating interests. As part of our assessment of the accounting policies implemented by your Company, we have verified the appropriateness of the above-mentioned accounting methods.

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## APPENDIX 3

The assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

### III. Specific verifications and disclosures

We have also performed the specific verifications required by law.

We have no matters to report regarding:

- the fair presentation and consistency with the financial statements of the information given in the management report of the Board of Directors and the documents addressed to the shareholders with respect to the financial position and the financial statements;
- the fair presentation of the information given in the management report of the Board of Directors in respect of remuneration and benefits granted to certain company officers and any other commitments made in their favour in connection with, or subsequent to, their appointment, termination or change in current function.

Pursuant to the law, we have verified that the management report of the Board of Directors contains the appropriate disclosures to the percentage interests and votes held by shareholders.

Neuilly-sur-Seine, March 9, 2009

The Statutory Auditors

**PricewaterhouseCoopers Audit**

Gérard Morin  
63, rue de Villiers  
92208 Neuilly-sur-Seine Cedex

**Deloitte & Associés**

Dominique Descours  
185, avenue Charles de Gaulle  
92200 Neuilly-sur-Seine

## APPENDIX 4

# Text of resolutions for the Combined General Meeting of shareholders on May 26, 2009

### Resolutions for the ordinary general meeting

#### First Resolution (Approval of the Company's financial statements at December 31, 2008)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, and being apprized of the Board of Directors' management report on the activity and general situation of the Company in the 2008 financial year together with the Chairman of the Board's report, of the auditor's report on the annual financial statements, and of the auditor's report on the Chairman's report, shareholders approve the Company's financial statements at December 31, 2008 as presented, which show a net profit of €176,969,708.02, together with the transactions reflected in these financial statements or summarized in the reports referred to.

#### Second Resolution (Approval of the consolidated financial statements at December 31, 2008)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, and being apprized of the Board of Directors' management report on the activity and general situation of the Company and group in the 2008 financial year together with the Chairman of the Board's report, of the auditor's report on the consolidated financial statements, and of the auditor's report on the Chairman's report, shareholders approve the Company's consolidated financial statements at December 31, 2008 as presented, which show a net profit of €349,959,000 excluding minority interests, together with the transactions reflected in these financial statements or summarized in the reports referred to.

#### Third Resolution (Appropriation of earnings)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings and being apprized of the Board of Directors' report and of the auditor's report on the annual financial statements, the shareholders:

1. Observe that the net book profit for the financial year ended December 31, 2008 amounts to €176,969,708.02;
2. Decide to appropriate €8,848,485.40 of this net profit to the legal reserve;
3. Observe that, after this appropriation of €8,848,485.40 to the legal reserve and considering retained earnings from previous years amounting to €691,174,519.55, the amount available for distribution in respect of the 2008 financial year is €859,295,742.17;

4. Decide to distribute a dividend to shareholders amounting to €0.70 euro per share, making a total amount of €179,248,478.50 on the basis of the number of shares making up capital stock at December 31, 2008 (this total being subject to adjustment for dividends that may be due on shares issued after December 31, 2008); and
5. Decide to appropriate the distributable income remaining to retained earnings.

The dividend of €0.70 euro per share referred to in paragraph 4 above will be made payable from June 4, 2009.

No dividends will be due on any shares which may be held by the Company itself or have been cancelled at the payment date.

Shareholders confer on the Board of Directors all necessary powers to determine, considering in particular the number of own shares held by the Company at the payment date and the number of shares canceled before that date, the total amount of the dividend and, by the same token, the amount of distributable income to be appropriated to retained earnings.

The dividend is eligible in full for the 40% income-tax exemption provided for under article 158-3.2 of the French *Code général des impôts*. Shareholders who opt for a flat rate of taxation at source on dividends received (*prélèvement forfaitaire libératoire*) under article 117-4 of the *Code général des impôts* will not benefit from this exemption.

Shareholders note that dividends paid in respect of 2005, 2006 and 2007 financial years were as follows:

Financial year	Shares with dividend entitlement	Net dividend per share
2005	269,693,376 shares with a par value of €4	€0.41
2006	266,241,719 shares with a par value of €4	€0.50
2007	256,058,625 shares with a par value of €4	€0.70

All dividends distributed in respect of the 2005, 2006 and 2007 financial years were eligible for the 40% income-tax exemption under 158-3-2 of the French *Code général des impôts*.

**Fourth Resolution  
(Agreements within the scope of article L.225-38 of  
the French Commercial Code)**

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings and being apprized of the auditor's special report, shareholders take due note of the conclusions of this report and approve the agreements it refers to.

**Fifth Resolution  
(Commitments within the scope of article L.225-42-1  
of the French Commercial Code)**

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings and being apprized of the auditor's special report, shareholders take due note of this report and approve the commitments to which it refers.

**Sixth Resolution  
(Approval of a share buyback program)**

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings and being apprized of the Board of Directors' report, shareholders:

- authorize the Board of Directors, in accordance with article L.225-209 of the French Code of Commerce, to purchase, or to have purchased, Company shares representing at most 10% of the Company's capital stock at the date of this Meeting, it being noted that, when shares are bought to ensure the market liquidity of Legrand shares under the conditions described herein below, the number taken into account for the calculation of this limit of 10% will be the number of shares bought less the number of shares sold during the validity of this authorization;
- provide that shares may be bought, sold or transferred for the purposes of:
  - ensuring the liquidity and active operation of the market in Company shares by the intermediary of an investment services provider, acting independently under a liquidity contract in compliance with the Code of Practice recognized by France's Financial Markets Authority,
  - implementing any and all Company stock-option plans in accordance with articles L.225-177 and following of the French Code of Commerce, any and all free share allotments or share sales pursuant to a Company or group employee share-ownership program in accordance with articles L.3332-18 and following of the French Labor Code (*Code du travail*), any and all free share allotments pursuant

to articles L.225-197-1 and following of the French Code of Commerce, and any and all share allotments for the purpose of profit-sharing, as well as providing cover for such transactions at such times as the Board of Directors or the person acting on its behalf takes action,

- holding and subsequently transferring shares by way of exchange or payment relating to business acquisitions,
- delivering shares on the exercise of rights attached to securities providing immediate or future access to the equity of the Company,
- canceling all or some of the shares so purchased,
- carrying out such other practices as may be permitted or recognized by law or by the Financial Markets Authority, or pursuing any other objective complying with applicable law and regulation.

The purchase, sale or transfer of shares may be effected, on one or several occasions, by any means, except at such times as Company shares may be the object of a tender offer, whether on the market or through a private transaction, including in particular trading in blocks of shares or public tender offers, the use of option-based mechanisms, the use of derivatives, and the purchase of options or other securities.

The price paid for purchases may not exceed €30 per share, it being noted that this maximum price will be adjusted as necessary to reflect capital transactions, in particular incorporation of reserves or free share allotments and/or share splits or reverse splits.

The maximum amount allowed for the implementation of the share buy-back program is €500 million.

The application of this resolution may not at any time result in the number of own shares held by the Company, directly or indirectly, rising above 10% of the total number making up capital stock at the date considered.

The shares purchased and held by the Company will be deprived of voting rights and will not be entitled to the payment of a dividend.

This authorization is valid for eighteen months from the date of this General Meeting of shareholders and deprives previous authorization for the same purpose of their effect to the extent not used.

Shareholders confer on the Board of Directors all powers, and the right to delegate those powers, to decide on the use of this authorization, to place orders on the stock exchange, to enter into any agreements, make any declarations to the Financial Markets Authority or any other body, to effect any formalities, and in a general way to do all that may be necessary.



## Resolutions for the extraordinary general meeting

### Seventh Resolution (Authorization to cancel shares purchased pursuant to the share buyback program)

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprized of the Board of Directors' report and the auditor's special report, the shareholders, having noted the adoption of the sixth resolution put to this meeting, authorize the Board of Directors, in accordance with article L.225-209 of the French Code of Commerce, to cancel, at its sole initiative and on one or several occasions, all or some of the Company shares purchased pursuant to the sixth resolution of this General Meeting or to previous or subsequent share buyback programs, and to reduce the capital stock of the Company by the total nominal amount of the shares thus cancelled, within a limit of 10% of the share capital at the date of this meeting in any period of 24 months.

Shareholders confer on the Board of Directors all powers, and the right to delegate those powers, to effect and recognize such reduction of capital, to allocate the difference between the price paid for the cancelled shares and their nominal amount to any reserves or premiums, to effect the related amendment of Company articles, to make all necessary declarations to the Financial Markets Authority, to effect all other formalities and in a general way to do all that may be necessary.

This authorization is granted for a period of twenty-six months from the date of this General Meeting of shareholders and deprives previous authorizations for the same purpose of their effect to the extent not used.

### Eighth Resolution (Delegation of powers to the Board of Directors for the purpose of issuing shares or securities providing access to the Company's equity or entitlement to debt securities, with preferred subscription rights maintained)

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprized of the Board of Directors' report and the auditor's special report, shareholders, in accordance with the provisions of the French Code of Commerce and in particular articles L.225-129 to L.255-129-6, L.225-134, L.228-91, L.228-92 and L.228-93:

1. Delegate to the Board of Directors the power to provide for the issue, the preferred subscription rights of shareholders being maintained, of shares and of securities giving access to shares of the Company or entitlement to the allocation of debt securities, which may be subscribed for either in cash or by way of offset against due and payable debts, it being provided that this delegation may allow one or several such issues;
2. Determine that the total nominal amount of capital increases which may be effected pursuant to this delegation of powers, immediately and/or in the future, may not exceed €500 million,

this limit being subject to such increase in the number of shares as may be necessary by reason of any adjustments made in accordance with applicable legislative and regulatory provisions and, as the case may be, of contractual stipulations providing for other adjustments to preserve the rights of holders of securities that give rights to shares of the Company; the total nominal amount of the capital increases which may be effected pursuant to this delegation of powers, immediately and/or in the future, is to be included in the total subject to the overall limit of €500 million provided for in the fifteenth resolution put to this meeting;

3. Determine that the total nominal amount of bonds and other debt securities issued pursuant to this delegation of powers may not exceed €2 billion (or the equivalent of this amount if issues are made in a foreign currency or units of account) and will be included in the total subject to the overall limit of €2 billion on issuance of debt securities provided for in the fifteenth resolution put to this meeting;
4. Determine that shareholders may exercise their subscription rights to the full with no reduction in allotments. The Board of Directors may also confer on shareholders, in proportion to their subscription rights and within the limits of their applications, additional rights to subscribe to a larger number of securities than that resulting from their irreducible rights but with allotments subject to reduction.

If shareholders do not take up an issue of shares or other securities of the kinds referred to above in full under their irreducible and, where applicable, reducible subscription rights, the Board of Directors may use, in such order as it determines, powers to:

- limit the issue to the amount of the subscriptions on condition that such amount is equal to at least three-quarters of the initial amount of the issue,
  - allot all or part of the unsubscribed shares to such persons as it sees fit,
  - offer to the public all or part of unsubscribed shares.
5. Determine that any issue of options to subscribe to Company shares may be effected by either an offer to subscribe as provided above or by free allocation to the holders of existing shares, and that in the event of a free allocation of unattached options the Board of Directors will have the power to decide that rights not representing a whole number of shares may not be traded and that the securities concerned are to be sold;
  6. Recognize and determine, insofar as this may be necessary, that this delegation entails, without further process, the waiver, in favor of the holders of any such securities carrying rights to subscribe to Company shares, of shareholders' preferred rights to subscribe to the new shares to which these securities carry entitlement;

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7. Determine that the Board of Directors will have all necessary powers, which it may in turn delegate, to put this delegation into effect, and in particular to determine the dates and terms of issues, the form and specifications of the securities to be issued, the prices and the conditions of issues, the amounts to be issued, the dates from which new securities carry rights, even with retrospective effect, and conditions for redemption where applicable, to suspend the rights to Company's shares attached to the securities to be issued for a period not exceeding three months, to make such adjustments as may be required as a result of changes in capital stock, in particular changes in the par value of shares, capital increases by incorporation of reserves, free share allotments, share splits or reverse splits, distribution of reserves or other assets or capital amortization, to take such action as may be necessary to protect the rights of the holders of securities giving access to Company shares, to make all appropriate charges, in particular for issuance expense, to issuing premiums and, in a general way to take such action and enter into such agreements as may be conducive to the satisfactory performance of issuance.

In the case of issue of debt securities, the Board of Directors will have full powers to take related decisions, in particular as to whether the debt is to be subordinated or not, to set the interest rate, maturity, the redemption price, whether fixed or variable or with or without bonus, to define amortization terms in accordance with market conditions and to determine conditions under which securities may carry rights to Company shares.

The delegation of powers so conferred on the Board of Directors is valid for twenty-six months from the date of this General Meeting of shareholders and supersedes that provided for in the eighth resolution adopted in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings at the Combined Ordinary and Extraordinary General Meeting of May 15, 2007.

**Ninth Resolution  
(Delegation of powers to the Board of Directors for the purpose of issuing shares or securities providing access to the Company's equity or entitlement to debt securities, with preferred subscription rights waived)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprized of the Board of Directors' report and the auditor's special report, shareholders, in accordance with the provisions of the French Code of Commerce and in particular articles L.225-129 to L.225-129-6, L.225-134, L.225-135, L.225-136, L.225-148, L.228-91, L.228-92 and L.228-93:

1. Delegate to the Board of Directors the power to provide for the issue, by public offer and/or offer to qualified investors within the meaning of article L.411-2 of the French Monetary and Financial Code, of shares and of securities giving access to shares of the Company or entitlement to the allocation of debt securities, which may be subscribed for either in cash or by way of offset against due and payable debts, it being provided that this delegation may allow one or several such issues;

2. Determine that the total nominal amount of capital increases which may be effected pursuant to this delegation of powers, immediately and/or in the future, may not exceed €350 million, this limit being subject to such increase in the number of shares as may be necessary by reason of any adjustments made in accordance with applicable legislative and regulatory provisions and, as the case may be, of contractual stipulations providing for other adjustments to preserve the rights of holders of securities that give rights to shares of the Company; the capital increases which may be effected pursuant to this delegation of powers are to be included in the total subject to the overall limit of €500 million provided for in the fifteenth resolution put to this meeting;

It is observed that the nominal amount of capital increases, whether immediate or at some future date, resulting from issues effected solely through offers to qualified investors within the meaning of article L.411-2 of the French Monetary and Financial Code may not exceed limits provided for in laws and regulations.

3. Determine that the total nominal amount of bonds and other debt securities issued pursuant to this delegation of powers may not exceed €1.6 billion (or the equivalent of this amount at the issue date if issues are made in a foreign currency) and will be included in the total subject to the limit on issuance of debt securities provided for in the fifteenth resolution put to this meeting;

4. Decide to waive shareholders' preferred rights to subscribe to the shares and other securities to be issued, it being however understood that the Board of Directors may confer on shareholders a priority right to subscribe, in irreducible proportion and, if so decided, with additional reducible rights, over a period of at least three trading days, to all or part of the issue in accordance with article L.225-135, paragraph 2, of the French Code of Commerce, such priority right not giving rise to negotiable rights;

5. Observe that if subscribers do not take up an issue of shares or other securities in full, the Board of Directors may use, in such order as it determines, powers to:

- limit the issue to the amount of the subscriptions on condition that such amount is equal to at least three-quarters of the initial amount of the issue,
- allot all or part of the unsubscribed shares to such persons as it sees fit;

6. Recognize and determine, insofar as this may be necessary, that this delegation entails, without further process, the waiver, in favor of the holders of any such securities carrying rights to subscribe to Company shares, of shareholders' preferred rights to subscribe to the new shares to which these securities carry entitlement;

7. Determine that:

- the issue price will be at least equal to the weighted average market price of Company shares over the three trading days preceding the date the price is set, subject as appropriate to the discount of at most 5% currently provided for in regulations,

- the issue price of securities providing access to the Company's share capital will be such that the amount immediately received by the Company together with any amount it may later receive is, for each share issued as a consequence of the issue of these securities, at least equal to the issue price as provided for in the previous paragraph;
8. Provide that the Board of Directors may, within the limit defined in paragraph 2 above, issue shares or securities providing access to the Company's equity or entitlement to debt securities, in consideration of the securities tendered in response to a public offer including a swap component (whether as the principal or a secondary component) initiated by the Company for the acquisition of the securities of a company whose shares are listed on one of the regulated markets within the scope of article L.225-148 of the French Code of Commerce, and waive, insofar as necessary, their preferred subscription rights to these shares or other securities;
  9. Determine that the Board of Directors will have all necessary powers, which it may in turn delegate, to put this delegation into effect, and in particular to determine the dates and terms of issues, the form and specifications of the securities to be issued, the prices and the conditions of issues (including exchange parities in the case of a public offer with a swap component initiated by the Company), the amounts to be issued (where applicable, as this results from the number of shares tendered in response to a public offer initiated by the Company), the dates from which new securities carry rights, even with retrospective effect, conditions for redemption where applicable, to suspend the rights to the Company's shares attached to the securities to be issued for a period not exceeding three months, to take such action as may be necessary to protect the rights of the holders of securities giving access to Company shares, to make all appropriate charges, in particular for issuance expense, to issuing premiums and, in a general way to take such action and enter into such agreements as may be conducive to the satisfactory performance of issuance.

In the case of issue of debt securities, the Board of Directors will have full powers to take related decisions, in particular as to whether debt is to be subordinated or not, to set the interest rate, maturity, the redemption price, whether fixed or variable or with or without bonus, to define amortization terms in accordance with market conditions, and to determine conditions under which securities may carry rights to Company shares.

The delegation of powers so conferred on the Board of Directors is valid for twenty-six months from the date of this General Meeting of shareholders and supersedes that provided for in the seventh resolution adopted in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings at the Combined Ordinary and Extraordinary General Meeting of May 15, 2007.

#### **Tenth Resolution (Power to increase issue amounts in the event of excess demand)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprized of the Board of Directors' report and the auditor's special report, shareholders, in accordance with the provisions of L.225-135-1 and R.225-118 of the French Code of Commerce, empower the Board of Directors within the time allowed and up to the limits defined by laws and regulations applicable at the date of issue (at the date of this meeting, within 30 days from the close of subscription, not exceeding 15% of the initial issue and offered at the same price) to increase the amount of any issue made pursuant to the eighth and/or ninth resolution put to this meeting, provided that this does not result in the breach of the limit defined in the resolution under which the issue is made.

#### **Eleventh Resolution (Powers conferred on the Board of Directors to set, in accordance with the conditions provided for by the General Meeting, the issue price in the event of the issue of shares or securities providing access to the Company's shares, with preferred subscription rights waived)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprized of the Board of Directors' report and the auditor's special report, shareholders, in accordance with the provisions of L.225-136 of the French Code of Commerce:

1. Authorize the Board of Directors, in respect of each issue pursuant to the ninth resolution put to this meeting and subject to the limit of 10% of share capital in any period of 12 months, to make an exception to the conditions for the determination of prices provided for in the same ninth resolution and set the issue price for shares and/or other securities providing access to the Company's share capital issued with a waiver of preferred subscription rights in such a way that:
  - the issue price of shares is at least equal to the average market price of Company shares, weighted for volumes, at the date the price is set, after deduction, where appropriate, of a discount of at most 10%,
  - the issue price of securities providing access to the Company's share capital is such that the amount immediately received by the Company together with any amount it may later receive is, for each share issued as a consequence of the issue of these securities, at least equal to the issue price as provided for in the previous paragraph.

The total nominal amount of capital increases resulting from issues pursuant to this resolution is to be included in the total subject to the overall limit provided for in the ninth resolution put to this meeting;

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2. The delegation of powers so conferred on the Board of Directors is valid for twenty-six months from the date of this General Meeting of shareholders and supersedes that provided for in the fourteenth resolution adopted in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings at the Combined Ordinary and Extraordinary General Meeting of May 15, 2007.

**Twelfth Resolution  
(Delegation of powers to the Board of Directors for the purpose of capital increases through incorporation of reserves, profit, premiums or other items for which this is allowable)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprized of the Board of Directors' report and the auditor's special report, shareholders, in accordance with the provisions of articles L.225-129, L.225-129-2 and L.225-130 of the French Code of Commerce:

1. Delegate to the Board of Directors the power to increase the nominal amount of share capital on one or several occasions, in such proportions and at such times as it sees fit, by incorporation of reserves, profits, premiums or other items for which this is allowable under general law and Company articles, or by combining such incorporation with a cash increase pursuant to the eighth and ninth resolutions put to this meeting, and/or in the form of a free share allotment, or an increase in the nominal value of the existing shares, or by a combination of the two;
2. Determine that the total nominal amount of the capital increases pursuant to this delegation of powers may not exceed €100 million, this limit being subject to such increase in the number of shares as may be necessary by reason of any adjustments made in accordance with applicable legislative and regulatory provisions and, as the case may be, of contractual stipulations providing for other adjustments to preserve the rights of holders of securities that give rights to Company shares;
3. Decide that the Board of Directors will have all necessary powers to put this delegation of power into effect, and in particular to:
  - determine the terms and conditions of the transactions authorized and in particular to define the amount and the nature of the reserves and premiums to be incorporated into capital, to determine the number of new shares to be issued or the amount by which the nominal value of existing shares making up the share capital is to be increased, to determine the date from which new shares carry rights, even retrospectively, or the date on which an increase in nominal value takes effect and, where applicable, to make all appropriate charges, in particular for issuance expense, to issuing premiums,
  - decide that rights not representing a whole number of shares may not be traded and that the shares concerned are to be sold,
  - take all appropriate action and enter into all agreements conducive to the successful conclusion of transactions

and, in a general way, to do all things necessary and effect all formalities required to finalize any capital increase or increases pursuant to this delegation of powers and to make the related amendments to Company articles.

This delegation of powers conferred on the Board of Directors is valid for a period of twenty-six months from the date of this General Meeting and supersedes that provided for in the tenth resolution adopted in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings at the Combined Ordinary and Extraordinary General Meeting of May 15, 2007.

**Thirteenth Resolution  
(Delegation of powers to the Board of Directors for the purpose of issuing shares or other equity securities in favor of participants in employee share-ownership programs of the Company or group)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprized of the Board of Directors' report and the auditor's special report, shareholders, in accordance with the provisions of articles L.3332-1 and following of the Labor Code (*Code du Travail*) and of articles L.225-129-6, L.225-138-1, L.228-91 and L.228-92 of the French Code of Commerce, hereby:

1. Delegate to the Board of Directors the power to issue, on one or several occasions, shares and/or securities giving access to the Company's share capital in favor of the employees of the Company and of the French or foreign companies connected to the Company within the meaning of article L.3344-1 of the French Labor Code, insofar as these employees participate in employee share-ownership programs of the Company or of the group;
2. Authorize the Board of Directors, in connection with such capital increase or increases, to allot shares or other securities giving access to the share capital without consideration, in particular in lieu of the discount provided for in point 4 below, subject to the limits provided for in article L.3332-21 of the French Labor Code;
3. Determine that the total nominal amount of capital increases pursuant to this delegation of powers may not exceed €25 million, it being noted that this limit is before any adjustments made in accordance with applicable legislative and regulatory provisions and, as the case may be, of contractual stipulations providing for other adjustments to preserve the rights of holders of securities that give rights to shares of the Company, and that the total amount of such increase or increases is to be included in the total subject to the overall nominal limit of €500 million provided for in the fifteenth resolution put to this meeting;
4. Decide that the issue price of the new shares will be equal to the average opening price for the 20 trading days preceding the date on which the opening date for subscription is decided on, less the maximum discount allowed by law at the date of the Board's decision, it being understood that the Board may reduce this discount if it considers it appropriate, in particular to comply with applicable national law;

5. Waive, in favor of the aforementioned participants in employee share-ownership plans, the preferred subscription rights of shareholders in respect of the shares or securities which may be issued pursuant to this authorization, and renounce all claims on such shares as may be allotted without consideration pursuant to this resolution;
6. Confer on the Board of Directors all powers that may in particular be necessary to:
  - determine which participants in employee share-ownership plans may benefit from the offer to subscribe,
  - decide whether subscriptions should be through an investment fund or directly,
  - grant employees time to pay for their shares,
  - determine terms and conditions for participation in the company employee share-ownership program ("*plan d'épargne entreprise*") or cross-company employee share-ownership program ("*plan partenariat d'épargne salariale volontaire*"), and establish or amend the regulations of such plans,
  - determine the opening and closing dates for subscription and the issue price of the securities,
  - define all features of securities providing access to the share capital of the Company,
  - decide on the number of new shares or other securities to be issued,
  - recognize resulting capital increases,
  - effect all necessary acts and formalities, either directly or through an agent,
  - make required amendments to Company articles and, in a general way, do everything that may be useful and necessary in respect of applicable laws and regulations.

This delegation of powers conferred on the Board of Directors is valid for a period of twenty-six months from the date of this General Meeting and supersedes that provided for in the eleventh resolution adopted in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings at the Combined Ordinary and Extraordinary General Meeting of May 15, 2007.

**Fourteenth resolution  
(Delegation of powers to the Board of Directors for the purpose of issuing shares or other securities providing access to share capital as consideration for contributions in kind to the Company)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings, and being apprized of the Board of Directors' management report and the auditor's special report, pursuant to article L.225-147 paragraph 6 of the French Code of Commerce, shareholders delegate to the Board of Directors all necessary powers to issue

shares and securities providing access to the share capital of the Company, within the limit of 10% of share capital at the date of issue, for the purpose of providing consideration for contributions to the Company in the form of shares or other equity securities when the provisions of article L.225-148 of the French Code of Commerce are not applicable.

The total nominal amount of the capital increases which may be effected pursuant to this delegation of powers is to be included in the total subject to the overall limit of €350 million provided for in the ninth resolution put to this meeting and the total nominal amount of debt securities issued pursuant to this same delegation is to be included in the total subject to the overall limit of €1.6 billion provided for in the same ninth resolution.

If use of this of this delegation is to be made, the Board of Directors will consider the report of one or several contribution auditors as referred to in article L.225-147 of the French Code of Commerce.

Shareholders confer on the Board of Directors all powers necessary to this effect, in particular to approve valuations of contributions and relating to such contributions, recognize their effects, charge all expense costs and fees to premiums, and make related amendments to Company articles.

The delegation of powers so conferred on the Board of Directors is valid for twenty-six months from the date of this General Meeting of shareholders and supersedes that provided for in the thirteenth resolution adopted in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings at the Combined Ordinary and Extraordinary General Meeting of May 15, 2007.

**Fifteenth Resolution  
(Total limit on delegations of power under the eighth, ninth, tenth, eleventh, thirteenth and fourteenth resolutions)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprized of the Board of Directors' report, shareholders define as follows the total limits on issues that may be made pursuant to the delegation of powers to the Board of Directors under the eighth, ninth, tenth, eleventh, thirteenth and fourteenth resolutions put to this General Meeting:

- the total nominal amount of capital increases resulting from the issue of shares and securities providing access to share capital may not exceed €500 million, this being however subject to such increase as may be necessary by reason of any adjustments made in accordance with applicable legislative and regulatory provisions and, as the case may be, contractual stipulations providing for other adjustments to preserve the rights of holders of securities that give rights to shares of the Company;
- the total nominal amount of debt securities, including bonds, issued may not exceed €2 billion or the equivalent of this if an issue is made in a foreign currency or units of account.

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## APPENDIX 4

### For the Ordinary General Meeting

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#### **Sixteenth Resolution (Appointment of a Director)**

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders hereby ratify the provisional appointment made by the Board of Directors at its meeting on May 5, 2009 of Mr. Frédéric Lemoine to replace Mr. Jean-Bernard Lafonta for the remainder of the latter's term of office, which is to say until the close of the General Meeting called in 2014 to consider accounts for the financial year ended December 31, 2013.

#### **Seventeenth Resolution (Powers to effect formalities)**

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders confer on holders of an original, an official extract or a copy of the minutes of the present meeting all powers necessary to effect all legally required filing, formalities and publications.

## APPENDIX 5

# Statutory Auditors' special report on regulated agreements and commitments with third parties

### For the Year ended December 31, 2008

*This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.*

To the Shareholders,

*Legrand*  
*Société anonyme*  
 128, avenue du Maréchal de Lattre de Tassigny  
 87000 Limoges

In our capacity as statutory auditors of your Company, we hereby report to you on regulated agreements and commitments with third parties.

### Agreements and commitments authorized during fiscal 2008 and up to the date of this report

Pursuant to article L.225-40 of the French Commercial Code (*Code de Commerce*), agreements and commitments previously authorized by the Board of Directors have been brought to our attention.

Our responsibility does not include identifying any undisclosed agreements and commitments. We are required to report to shareholders, based on the information provided, about the main terms and conditions of the agreements and commitments that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of article R.225-31 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. Those procedures consisted in verifying the information provided to us with the relevant source documents.

#### Credit line agreement concluded with the BNP Paribas bank

In its meeting of October 3, 2008, your Board of Directors authorized Legrand France, your Company's subsidiary, to conclude a credit line agreement with the BNP Paribas bank.

This agreement entered into on October 7, 2008 involved a credit line in the amount of €125 million with renewable draw-downs over a maximum period of 24 months. As of December 31, 2008, no amounts had been drawn down from this credit line by Legrand France.

Director concerned = Mr. François Grappotte, Director of BNP Paribas and Legrand France.

#### Commitment undertaken with Mr. Gilles Schnepf, Director of the Company

The Board of Directors' meeting of March 4, 2009 duly noted the decision of Mr. Gilles Schnepf to resign from his employment contract. This resignation led to the loss of his retirement termination benefits and severance pay in addition to the compensation payable under the non-competition clause corresponding to the terms and conditions defined in the Collective Bargaining Agreement for the Metallurgy industry that was incorporated into his employment contract at the end of 2003. Mr. Gilles Schnepf did not receive any compensation or benefits whatsoever in respect of his resignation.

However, the Board of Directors considered that it was in the interest of the Company to sign a new two-year non-competition agreement with Mr. Gilles Schnepf that could only be applied on the Company's sole initiative. In consideration of this obligation, should the Company decide to apply it, Mr. Gilles Schnepf would receive a monthly compensation amounting to 50% of his monthly average fixed and variable remuneration collected over his last twelve months of service in the Company.

Director concerned = Mr. Gilles Schnepf

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## Agreements and commitments authorized during previous years and having continuing effect during the year

Pursuant to the French Commercial Code, we were informed that the following agreements and commitments approved in prior years remained in force during the year.

### Tax Consolidation Agreement

The consolidated tax group headed by the Company was amended to retroactively incorporate as from January 1, 2003 Legrand France and the companies in Legrand France's consolidated tax group prior to the acquisition of over 95% of Legrand France's capital by Legrand. These companies include Baco, Chessy, Distrasa, Groupe Arnould, Inovac, Legrand SNC, Pammelec, Planet Wattohm, Sarlam, Sute and Ura. In addition, Châteaudun Développement 3 and ICM Group – which were acquired in 2005 – joined the consolidated tax group in 2006.

Tax savings made by the group through using tax losses of loss-making members of the consolidated tax group are not paid back to the companies concerned by Legrand when they return to profit.

### Facility Agreement

The Facility Agreement was entered into between BNP Paribas, Crédit Mutuel – CIC, Natexis Banque Populaire, the Royal Bank of Scotland Plc, and Société Générale acting as lenders and Legrand France, Van Geel Legrand B.V. and Legrand acting as borrowers. BNP Paribas acted as Facility Agent and Swingline Agent and the Company was party to the agreement in the capacity of Guarantor.

Under this agreement, the lenders provided Legrand France, Van Geel Legrand BV and Legrand with a maximum borrowing facility of €2,200,000,000.

Issuance costs paid by the Company during 2006 are deferred over the contractual term of the loan; the amortization of these costs is charged to income for an amount of €0.9 million in 2008. Moreover, interest costs recorded by Legrand during 2008 in connection with this Facility Agreement totaled €17.7 million.

### Amendment to the employment contract of Mr. Olivier Bazil, Director of the Company

The lump sum severance and non-competition payments provided for in the employment contract of Olivier Bazil in accordance with a decision made by the Board of Directors on November 13, 2001 have been withdrawn.

However, the standard non-competition clause as worded in the Collective Bargaining Agreement for the Metallurgy industry that was incorporated at the end of 2003 into the employment contract of Olivier Bazil, as well as those of the Executive Committee's other members, has been maintained. Under this clause the Company may prohibit the employee concerned from working for a competitor for a period of one to two years after he or she leaves the Company, in return for a payment representing fifty per cent of the employee's reference salary.

### Agreement with Mr. Gilles Schnepf and Olivier Bazil, Directors of the Company

This agreement sets the methods for calculating supplementary pension benefits payable to Gilles Schnepf and Olivier Bazil as well as to all other eligible members of the Executive Committee. These benefits act as a top-up to statutory pension entitlements and apply to Executive Committee members who have at least ten years' service within the Company and are at least 60 years of age when they retire. Under the supplementary plan, benefits are calculated with a view to providing eligible members with an overall pension (including statutory benefits) representing 50% of the average of their highest two years' compensation (including bonuses and indemnities) out of the three years preceding their departure from the Company. The plan also provides for the spouse to be paid a reversionary pension in the event of a plan member's death, representing 60% of the total benefits.

Neuilly-sur-Seine, March 9, 2009

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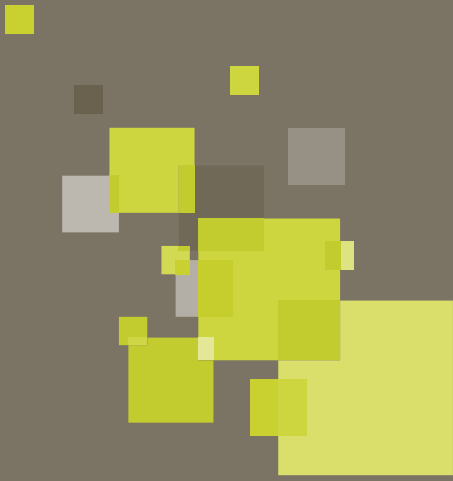
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Design and production:  Labrador 00 33 1 53 06 30 80

This document was printed in France by an Imprim'Vert certified printer on recyclable, chlorine-free and PEFC certified paper produced from sustainably managed forests.



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